

COMBINED PUBLICATION

Report on the Activities and Finances
of the Energy Regulatory Office

&

National Report of the Energy Regulatory Office
on the Electricity and Gas Industries in the Czech Republic
for

2023



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FOREWORD BY ERO BOARD CHAIRMAN

Dear Readers,

The Report on the Activities and Finances of the Energy Regulatory Office and the National Report, which make up this combined publication, describe 2023 from the perspective of the regulator and the whole energy market. The markets calmed down to some extent in comparison with the preceding years, but the reverberations of the energy crisis could still be felt.

In the retail market, one of the mainstay events was electricity and gas price capping for final customers by the Czech government in an effort to arrest the quick growth of prices faced by both consumers and businesses.

Although the public mainly paid attention to the capping of the commercial components of energy supply prices, i.e. the ones that are not subject to any regulation in normal circumstances, the fact remains that major subsidies from the national budget were also channelled into the regulated components of the prices. This was so thanks also to ERO's painstaking negotiations with the Czech cabinet. Subsequently, the national budget compensated the growth in the costs of covering technical losses in networks and of balancing services in the electricity industry by CZK 36 billion. The costs of aid to supported energy sources (SES) were also fully met. More than CZK 2 billion also went from the national budget to meet the rising costs of losses in the gas industry. These subsidies ultimately caused the regulated components of energy supply prices to even decline, while certainly preventing them from increasing year-on-year.

However, all these subsidies were limited in time to 2023 only. And although in 2023 ERO was warning of the risk of a significant growth in the regulated components should subsidies be discontinued, the shape of the national budget no longer allowed additional subsidies in such amounts. Primarily the above factors caused significant increases in ERO's price decisions on regulated prices for 2024, despite the fact that in 2023, ERO reduced the impacts of the increases on final customers by CZK 15 billion in aggregate through its extraordinary regulatory interventions and negotiations with regulated entities.

The ongoing energy crisis has also affected ERO's operation quite heavily. A direct impact is the large number of consumers' submissions; taking into account the additional significant swelling of their interest in ADR as regards consumer disputes, the increases have been severalfold over recent years. In addition, the turbulent market situation was bound to be reflected in ERO's supervisory activities: over the last two years, ERO received a larger number of consumers' requests for checks than over the two preceding decades of its existence.

ERO's involvement in the payment of compensations to suppliers and distributors, related to the energy price capping and costs of losses in networks, has also had heavy impacts: it was given the completely new responsibility to collect 'levies' on surplus revenues from electricity generators. But this task entails the energy production and trade facets that had never been subject to regulation until then. In addition, by their very nature, levies are a taxation issue, and these had never been within ERO's remit. Thus, ERO had to develop brand new methodologies and tools and transfer staff to these activities from its existing agendas. The reason is that the significant extension of responsibilities, and not only those for compensations and levies, was not accompanied by any increase in budgetary or personnel capacities. Quite the opposite: in the context of savings in state administration, ERO's budget and its number of established (scheduled) positions were reduced; this is not a tenable situation in view of the rising requirements placed on the regulator.

In respect of legislation, ERO was preparing for the long-awaited amendment to the Energy Act, referred to as *Lex RES II*, and the changes it would trigger, and not only in energy sharing. In fact, ERO allowed electricity sharing from a common source in a residential building through an amendment to its own public notice on Electricity Market Rules as early as the beginning of 2023, i.e. one year before the effective date of the above law.

ERO was also addressing long-term regulatory issues extending for more than one year. It continued to work on the Tariff Structure Innovation project intended to enhance the effective use of networks through cost-causative linkage between the cost driver and the price paid by customers. Regulation also reflects the geopolitical situation, which is causing significant drops in energy demand and changes in flows, such as those in the gas transmission network. In this respect, the regulator's task is to do its best to minimise the impacts on the country's household and business customers.

I trust that this combined publication will offer you a detailed picture of the regulator's activities while describing the challenges that not only our Office but the whole Czech energy sector is facing at present.

Stanislav Trávníček
ERO Board Chairman

1 INTRODUCTION

As in preceding years, as part of improving the efficiency of ERO's operation the combined publication for 2023 includes the Report on the Activities and Finances of ERO and the National Report, the contents of which partly overlap.

Being an independent national regulator of the Czech Republic, since 2001 ERO has been regulating monopoly activities in the electricity, gas, and heat supply industries, providing consumer protection in those industries, determining aid for supported energy sources (SES (*POZE* in Czech)), supervising all these areas, and, most recently, also running the agenda of certain levies and compensations.

ERO has been set up under the Energy Act (Act No 458/2000) and under its provisions, it presents the Reports contained herein to Parliament of the Czech Republic, the Czech Government, the European Commission (EC), the Agency for the Cooperation of Energy Regulators (ACER), and the Council of European Energy Regulators (CEER).

1.1 The ERO Board and organisation of the Office

ERO is headed by the ERO Board, the members of which are appointed by the Czech Government for a fixed five-year term in office. In 2023, Stanislav Trávníček (left) was the ERO Board Chairman, and (from left) Ladislav Havel, Martina Altera Krčová, and Markéta Zemanová were the other members.¹



See Annex 1 for ERO's organisational structure.

¹ Professional CVs and summaries of the ERO Board's meetings are available on [ERO website](#)

2 DEVELOPMENT IN THE ENERGY MARKET

The country was economising on electricity and gas

The year 2023 was again marked by energy savings in the Czech Republic, similarly as 2022. Net electricity consumption totalled 58.3 TWh, i.e. approximately the same as ten years earlier, down by 3.5% on 2022. In 2023, total annual consumption of natural gas also dropped, by more than one tenth year-on-year to 6,759 mcm, i.e. 73.7 TWh. Following two austerity years with a continuous decline, 2023 saw the lowest gas consumption for more than 30 years. At the same time, in the early 1990s, i.e. the period with which the 2023 consumption is commensurable, the gas supply network was only being rolled out and the gas system was switching from town gas, used until then, to natural gas, used at present.

Unregulated and regulated prices in 2023 and for 2024

Although 2023 saw a gradual subsiding of the protracted energy crisis, i.e. the enormous surge in unregulated prices – the commodity component of electricity and natural gas supply prices, repercussions of the collapse of BOHEMIA ENERGY group suppliers, and the impact of Russia's invasion of Ukraine, the problem of high prices nevertheless rolled over, to a certain extent, into the regulated prices determined for the coming years.

In the retail market, the government-imposed cap of CZK 5,000/MWh on electrical energy and CZK 2,500/MWh on natural gas prevailed in 2023. Further to the imposition of the price cap on energy supply, the Energy Act provided for the option of paying reimbursement for conclusive loss and reasonable profit to the electricity and gas traders whose eligible costs and reasonable profit were not covered by the price cap (see 2.3); ERO checked the amount of these compensations. The number of consumers who could receive suppliers' quotations below the price caps started to increase in mid-2023.

In 2023, the Government also mitigated the negative impacts of the energy crisis on regulated electricity prices through partial compensation for the costs of system services and the full defrayal of the POZE (supported RES) costs in the case of electricity and partial compensation for the costs of technical losses in electricity and gas networks from the national budget. (Government Orders 5/2023 and 463/2022) However, for the regulated component of energy prices for 2024, governmental subsidies were limited to only meeting a part of the POZE costs. In the yearly determination of these prices, ERO is strictly bound by the Energy Act and the POZE Act, and therefore in November 2023, it was compelled to announce their significant year-on-year increase. In addition to the difference in the amount of public aid, an important role was played by higher costs of network operation, which reflected higher prices of electrical energy and natural gas in the free market. Paradoxically, the reduction in energy consumption has an adverse impact on regulated prices, which experience the 'water supply effect' (the system operation costs are spread over fewer megawatt hours consumed). Moreover, following Russia's invasion of Ukraine, in the case of gas the collection of transit fees for gas transit across the Czech Republic has shrunk significantly.

ERO used all of its options to minimise the impacts of the above negatives on customers. Following intensive talks with regulated and other entities, overall payments of regulated prices for 2024 were reduced by CZK 15 billion (point 4.2 electricity and point 5.3 gas industry).

Preparations for the sixth regulatory period

The development of the regulatory methodology for the next, already the sixth regulatory period, which will begin in 2026, was started in 2023. Related activities include gathering inputs for developing the methodology, analysing the regulatory practice in other countries, and analysing the impacts of the steps intended from 2026. With regard to the legislative requirements concerning the timeline for developing the methodology for the next regulatory period, the public consultation on the methodology will be launched by September 2024.

The issues to which attention is paid in the development of the methodology include the following:

- /// The approach to the costs of the services provided by the entity within its group (through service-level agreements, SLA);
- /// More detailed specification of the efficiency factor in relation to international practice;
- /// Setting the regulatory asset base at the optimum level of the net book value of assets;
- /// Introducing a more comprehensive approach to incentive-based regulation and expansion of incentives;

- / Changing the definition of the time value of money based on expert practice;
- / Catering to the double counting risk in general;
- / Setting a higher adequacy of risk costs in WACC;
- / Changing the regulatory rules for the TSO responding to major changes in gas flows in Europe; and
- / Price controls for the new market participant, Elektroenergetické datové centrum (Electricity Data Centre, EDC).

2.1 Electricity industry

RES connection

According to distribution system operators, ČEZ Distribuce, a.s., EG.D, a.s., and PREdistribuce, a.s., they received almost 93,000 new applications for connecting electricity generating plants with a total capacity of up to 62 GW in 2023. This surge is mainly attributable to the government's intensive subsidy policy that helps to boost the decentralisation of the electricity industry and increase the RES share in the Czech energy mix to the EU's requirements. The need to have cheaper energy from one's own electricity installation, in connection with Russia's invasion of Ukraine, plays a secondary role in this growth, although to a lesser degree.

However, the surge in new plant connection is causing local overloading of the electricity grid, associated with a rapid exhaustion of the grid's capacity. New generating plants cannot be connected at all, or only with a lower reserved output than required by market participants. According to the data provided to ERO, 2023 saw the actual connection of almost 82,000 new generating plants with an installed capacity totalling over 1 GW. Small up to 10kW installations, and also over 10kW installations but still connected to the low voltage level, had the largest representation.

In the foreseeable future, the necessary network reinforcements will therefore require costs of tens of billions of Czech crowns (the 2023 data suggests that new connections of almost 13GW installed capacity can be expected between 2023 and 2025). Rising demands on network operation control, which is becoming increasingly complex and dependent on advanced ICT, is also associated with the network reinforcements and with increasing its capability to absorb a higher proportion of small generating plants, which are unevenly distributed within the network. Process digitalisation and generation, consumption, and network operation data sharing are therefore coming to the forefront.

Electricity spot market

At electricity spot markets organised by the market operator (OTE, a.s.), 31,515 GWh of electricity was traded, up by 7% on 2022. The weighted average of the marginal prices of electricity traded at the day-ahead market significantly dropped in 2023, to EUR 101/MWh. At the end of 2023, 142 market participants had access to the electricity spot market (the figure was 133 in 2022).

2.1.1 Community energy: electricity sharing models

1 January 2023 was the effective date of an amendment to the Electricity Market Rules (public notice 408/2015), which has simplified electricity sharing within residential buildings. This typically means sharing the electricity generated by solar panels on the residential building's roof amongst owners of the residential units without using the distribution system.²

The key principles of community energy, in the extent of the EU legislation, are laid down in the Energy Act, an amendment to which (Act No 469/2023, referred to as *Lex RES II*; see 9.1.2 below) became effective on 1 January 2024. Simultaneously with the debate on the bill for this law, ERO was active to lay down the community energy principles through delegated (secondary) legislation.

The part of the amendment concerning community energy and energy sharing has a deferred effect from 1 July 2024. 'Active customer', 'energy community', and 'RES community' have become the basic technical terms. Although these three models differ in many respects, their common denominator is energy (primarily electricity) sharing with other market participants. The basic precondition for the development of

² Details in last year's Combined Publication on ERO [website](#)

community energy is the inception of EDC. The year therefore saw intensive talks with the representatives of EDC's future founders; the talks also entailed the presentation and analyses of the basic proposals determining this platform's working in community energy, including the formulation of stipulations for changes in the legislation in accordance with the continuously evolving bill to amend the Energy Act. The proposals were also continuously consulted with market participants within a broad working group on the planned amendment to the Electricity Market Rules and on the public notice on the required content of network operation codes (401/2010) with a view to receiving feedback from all the entities concerned. The analyses of energy sharing models also assessed the models of and experience with the introduction of community energy in other countries with a view to making the process of community energy rollout in the Czech Republic smooth, satisfactory for all market participants, and implementable in practice. The community energy issue was continuously presented to the public at seminars and workshops.

2.1.2 Tariff structure innovation: the concept

In 2023, ERO presented and consulted the planned changes to the tariff system related to the transmission system and distribution systems at the high voltage (HV) and medium voltage (MV) levels; the changes consist in replacing the charge for reserved capacity and the charge for exceeding reserved capacity with a combination of a charge for booked input power and a charge for the maximum taken power. This principle was provided for in the amendment to the Electricity Market Rules (public notice 6/2024) prepared in 2023. In 2024, the implementation of this stage should still go through a consultation process based on the current developments. The innovation of the tariff structure at the HV and MV levels will not affect the tariffs at the low voltage (LV) level and therefore does not concern households (consumers) or small businesses.

This change will result in more efficient system operation and help to release network capacities at higher voltage levels; the current tariff system does not motivate market participants to that. Electricity market participants' booked input power is often unnecessarily higher than the actual use thereof, which can precipitate the need to reinforce system capacities—such reinforcements being unnecessary and ineffective—passing on the increased costs to all customers; what can also be the result is constraints on connecting new market participants to the system or prevention of the required increase in booked input power. ERO expects the proposed changes to help to reduce the market participants' total booked input power in the electricity grid by approximately 3 GW, i.e. 16%, in the conservative variant. This released capacity will make it possible to connect new market participants without any need for new capex. Approximately CZK 3 billion will be saved when this capex is not made.

An informal public consultation process was conducted on the above-outlined stage of the project before launching the legally required consultation process on the amendment to the Electricity Market Rules, i.e. the delegated legislation within which the fundamental part of this stage of the tariff structure innovation is being implemented.

The tariff structure innovation at the LV level (households and small businesses) will be conditional on the completion of a partial deployment of smart metering, which is required for the correct settings, in the second half of 2027. The changes at the LV level will therefore concern customers with smart metering.

The concept of the tariff structure innovation is being gradually presented and consulted, and the related materials are being continuously released and consulted.³

2.2 Gas industry

NET4GAS

The beginning of 2023 saw a suspension of Gazprom's payments for booked capacity in gas pipelines in the Czech territory, which had a very adverse impact on the gas TSO, NET4GAS, s.r.o. (see 5.1 below).

The owner of NET4GAS changed. On 12 December 2023, the company reported that Borealis Novus Parent B.V. and Allianz Infrastructure Luxembourg I S.à r.l., as the sellers, and state-owned ČEPS, a.s.,

³ Information and documents on ERO [website](#)

as the buyer, completed the transfer of the 100% equity stake in NET4GAS Holdings, s.r.o., the only member of NET4GAS, to ČEPS.

Legislation and technical regulation

As part of the preparations, the general approach to the gas decarbonisation package, published by the European Commission in December 2021 (a directive and regulation on the market in renewable and natural gases and for hydrogen and a regulation on methane emissions reduction in the energy sector), was approved, and the actual legislative texts will be subjected to modifications in 2024. As part of the iterations in the European Parliament and the Council, all stakeholders' representatives had opportunities to express their views on the proposed wording of the various articles of the Directives and Regulations. The liveliest discussions centred around the unbundling of hydrogen network operators, the European Commission's proposal to abolish cross-border tariffs for renewable gas transmission, and the establishment of a new European gas entity bringing together only hydrogen network operators (ENNOH, European Network of Network Operators for Hydrogen).

In 2023, the European Commission and the organisations concerned were evaluating the crisis measures adopted in 2022; they proposed to codify some of them in a standard legislative framework. The mainstay emergency measures in the European gas legislation, which were published in the form of Regulations in 2023, thus include Council Regulation (EU) 2023/2919 amending Regulation (EU) 2022/2576 as regards the prolongation of its period of application.

In connection with the coming into effect of Council Regulation (EU) 2022/2576, capacity holders alerted ERO to the fact that the application of the automatic procedure to the withdrawal of short-term unused transmission capacity under the Regulation may jeopardise gas supply security in the Czech Republic and adjacent member states. Based on an analysis supplied by the TSO and consulted with adjacent member states and the market participants concerned, ERO decided⁴ on the application of the alternative mechanism under the Regulation [Article 14(7)(c)], ensuring the continuation of the hitherto followed approach of offering interruptible capacity at all cross-border interconnection points of NET4GAS's transmission system. At the end of 2023, this decision was extended, on an *ad hoc* basis, to 2024 through a follow-up decision⁵ in connection with the coming into effect of Council Regulation (EU) 2023/2919.

Further to the change of the gas resource base in 2022, 2023 saw the need to address the issue of changes in the limit values of the physical and chemical parameters of the gas in the Czech gas system through emergency interim measures. The affected system operators' codes were therefore amended. In this respect, ERO was also tackling submissions from final customers related to the formation of impurities, specifically cupric sulphide on copper components of gas appliances. Thanks to the practical application of measures mitigating or eliminating impurity formation, which were designed by the competent associations, the frequency of the complaints declined during 2023. In addition to the above, ERO started to monitor the values of the physical and chemical parameters of gas in the Czech gas system on a regular basis.

Gas storage facilities

The high level of stores in the country's storage facilities was also maintained in 2023. Gas storage has become a major and material issue in connection with departure from Russian gas supply and increasing LNG imports. Before the 2023/2024 winter, storage facilities were filled 100% and their capacity continued to be much higher than in the preceding years on a year-on-year basis (see 5.2 below).

The Gas Market Rules (public notice 349/2015; point 9.1.1.3) were amended in 2023 as planned. The primary purpose was to materialise the authorisation in the Energy Act [Section 98a(2)(i)(15)], which requires the regulator to issue a public notice laying down the rules and conditions for providing the service of the cross-border use of a storage facility. The concept of the working of a cross-border storage facility will be implemented in practice following its physical connection: at present, it is connected only to the neighbouring country's gas system. In the future, the facility will therefore serve two different entry-exit systems. The amended public notice lays down the conditions, procedures, and required details of the working of this service. One of the required details is the transfer of data and information between the

⁴ Details on [ERO website](#)

⁵ Details on [ERO website](#)

storage system operator, the transmission system operator and, not least, the market operator so that the service can be evaluated in terms of balancing.

Gas spot market

A total of 4,873 GWh of gas was traded in the within-day gas market organised by the market operator (up by 10% on 2022). In 2023, the weighted average of the prices of gas traded in the within-day market decreased to EUR 44/MWh, while in 2022 it was EUR 110/MWh. At the beginning of June, natural gas prices in the spot market even dropped to EUR 25/MWh. At the end of 2023, 136 market participants had access to the spot gas market (the figure was 125 in 2022).

In recent years, the prices in the Czech within-day gas market have been closely following the prices of comparable products in the German market area, Trading Hub Europe (THE within NCG); however, trading has been affected by the introduction of a gas export fee by THE in connection with the measures for ensuring supply security through gas storage. This fee jeopardises the internal natural gas market's correct working and, depending on the spot prices in Slovakia and Austria, can result in lasting differences between the prices in the Czech Republic and in Germany up to the level of the fee, whose amount can be changed every six months. Nevertheless, in late May 2024, Germany stated its intention to abolish this fee from 1 January 2025.

2.3 Surplus revenue collection and compensation

In connection with the governmental caps on the unregulated prices—the commodity component of electricity and natural gas supply prices (see above), ERO has been vested with powers concerning compensations for electricity and gas traders (Government Order 5/2023) and compensations for electricity and gas losses in distribution systems (Government Order 463/2022). ERO is in charge of checking the applications for compensation and other provided documents for accuracy.

Further to the surge in energy market prices in 2022, the Energy Act laid down an obligation for electricity generators to pay 'a levy' on their surplus revenues from December 2022 to the end of 2023. ERO has been appointed as the administrator of the collection of surplus revenues and the collection of payments on account of incorrectly paid compensations.

The fundamental portion of the work on the new agenda was carried out in 2023, when the actual activity was started in connection with ensuring levy payments and checking the compensations. This extension of ERO's activity portfolio has necessitated a change in the system of scheduled (established) positions and the creation of a new unit in charge of all the activities related to this agenda, but without increasing the staffing level or ERO budget funds.

Initially, it was crucial, in particular, to take an active part in the preparatory meetings on proposals for the newly emerging applicable legislation, to put in place the internal procedures for administering the levies and compensations, and to create the modules required for running this agenda, an interactive form for reporting the levy, and review systems for compensations both for losses in distribution systems and for suppliers. This work will intensively continue in 2024 in connection with the accounting for the levies and the settlement of compensations for 2023.

In running these new agendas, in the case of checking the levy reports and the compensation applications ERO had to cope with a very complicated system of calculations and an extraordinary amount of data; in late 2023, ERO therefore had to make additional organisational changes and reinforced the personnel for both of the agendas, which compelled it to reduce activities in its other inspection areas.

In respect of the levy on surplus revenues, every month it processed some hundreds of reports and carried out the related paperwork, which was as challenging as financial authorities' activities, while applying a taxation code that had never existed in ERO's activity portfolio. Going forward, ERO will focus on checking the details of submissions from the various payers, which matches, in terms of procedure, the tax checks normally carried out by financial authorities, but using ERO's detailed expert knowledge (such as records of transactional and fundamental data from wholesale market participants).

In respect of the compensations, every month it checked 160 applications on average (under both of the government orders) together with some 600 attached files containing detailed data on the various supply points. ERO checked data on monthly advances for 3.6 million supply points on average.

As part of the yearly settlement of compensations, ERO will have to check approximately 150 applications (only under Government Order 5/2023) with yearly data summaries, which will entail in detail some 1,800 monthly closing applications for compensation and 5,500 attached files containing detailed data on the various supply points. For illustration, this approximately means the processing and checking of data and calculations for 4 million supply points (an estimate based on the monthly advances for compensation for 2023).

Following the settlement of compensations, ERO will focus, as in respect of the levy on surplus revenue, on checking the details in the various applications, the procedural aspect of which matches the tax checks normally carried out by financial authorities using ERO's specific expert knowledge.

3 CONSUMER PROTECTION IN ENERGY INDUSTRIES

ERO follows a comprehensive approach to consumer protection and therefore in 2023, it did not only carry out the duties that the Energy Act directly requires (supervisory activities and consumer dispute adjudication) but also focused, to a great extent, on advising, educating and, in general, enlightening the public. To this end, it used its own channels and tools and also communication via the media. In addition, it engaged in communication with consumers on an individual basis, i.e. provided assistance in specific situations.

Across all the activities, ERO most often addressed problems with billing and payment conditions in 2023. They were the substance of almost a half of all submissions, i.e. all informal queries and suggestions that ERO received. Because of the cap on electricity and gas prices in 2023, there were not as many unilateral changes to contracts as in the preceding two years. Consumers approached ERO in matters of incorrect amounts of payable advances, which were causing large overpayments in the final bills.

Market recovery has increased consumers' interest in supplier switching and the related issue of contract termination (via either rescission or notice), including the application of contract penalties. It has also energised intermediaries, whose operation was, for all practical purposes, suppressed in 2022 when suppliers were not seeking new customers. At the end of the first quarter of 2023, ERO warned against door-to-door peddling, which intermediaries had again started to practice. Nevertheless, it should be noted that compared with the time before the energy crisis and the introduction of the register of intermediaries, there was only a fraction of complaints about them.

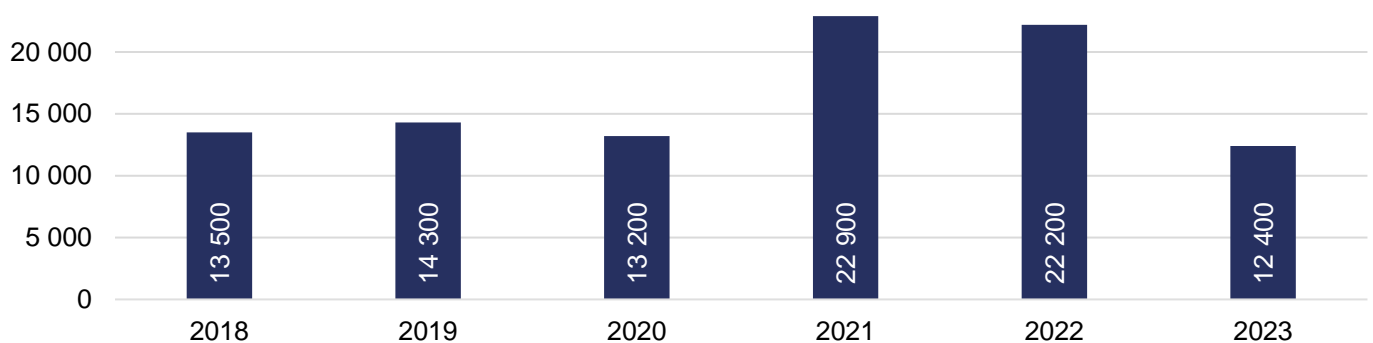
3.1 Consumers' submissions

The number of consumers' submissions dropped year-on-year, to 12,410 (from 22,198 in 2022). In 2022, ERO used a system of automatic e-mail responses to make its advisory services more effective. The responses contained solutions to the most frequent problems tackled by consumers. In 2023, this automated communication was no longer sufficient as the nature of the submissions had markedly changed, and their specificities required ERO's individual approach. There were fewer submissions, but more challenging for processing. Having no customer service or call centres, ERO was again on the brink of its personnel capacities.

The largest group of consumers' submissions complained about suppliers' failure to bill or to refund overpayments, which mainly concerned a group of suppliers of a certain nature. These suppliers were also less willing to communicate with ERO to seek an amicable settlement with the consumers on an informal basis. This caused an increase in the number of adjudicated disputes. The second half of 2023 saw a rising number of queries related to the end of price capping, with consumers asking about the options for tackling a potential situation of surging prices.

In many cases, the questions could be answered by merely explaining the issue, referring to the relevant legislation, or advising on consumers' rights in the energy sector. In some situations ERO successfully brokered communication between the supplier and consumer, which resulted in amicable settlement. Amicable settlement through communication with the supplier usually turned out to be the fastest and most effective way to deal with the dispute arising from a contract; however, the precondition is willingness on the part of the supplier.

Chart 1 Number of submissions from consumers



Source: ERO

3.2 ADR

While the overall number of submissions dropped in 2023, the number of consumers wanting to take an ADR approach to their problems with suppliers or intermediaries increased. ERO received 628 applications for ADR, which was almost 40% more than the year before and even nine times more than five years earlier.

The applications for ADR usually also concerned billing. ERO most often addressed situations where suppliers failed to issue a bill or issued it at variance with the contract or failed to refund overpayments to consumers as due. In the latter case, consumers used adversarial proceedings for obtaining an enforcement order through the decision in the proceedings. Under the order, they were then able to claim the payment through enforcement.

The statistics show that consumers' activity and awareness are growing; the advantages of ADR compared with a legal dispute can also play a role in this. To wit, in particular the fact that the ADR decisions normally arrive faster, and application lodging is free. However, ADR is not a fully-fledged substitute for court proceedings; for example, ERO is not competent to determine whether the supplier rejected a complaint correctly or otherwise, the amount of the advance, or the specific prices of electricity/gas supply. Nor does it decide on claims to damages.

3.3 Supervision for the purpose of consumer protection; checks and inquiries

ERO's supervision over suppliers' compliance with the obligations set out in, primarily, the Energy Act, the Consumer Protection Act, and the Act on Prices is absolutely crucial for boosting consumer protection in the energy sector.

The overview of the checks is based on the number of checks commenced or completed under the Oversight Rules (within the meaning of Act No 255/2012), indicating the number of cases in which the supervisory action concerned the supplier's practices in respect of consumers. As part of inquiry, ERO examines the received submissions, bringing proceedings on administrative offences right away where the identified misconduct is fully documented.

The checks and inquiries look into unfair commercial practices (in particular, providing false information upon price changes, changes in terms and conditions, and supplier switching) and failure to follow the standard procedures in suppliers' dealings with customers (bills not issued or issued late, overpayments not refunded, complaints not handled, bills not calculated correctly, increases in advances not warranted, or supply discontinued without the customer taking energy illegally).

Table 1 Number of checks and number of inquiries referred to sanction proceedings

Checks	Total	of which, for consumer protection purposes
Opened	291	41*
Completed	310	30*
Inquiries for breaches of law, of which under		
the Energy Act	271	174
the Consumer Protection Act	77	77
the Price Act	1	0

Source: ERO

* The cases of dozens of supply points where identical symptoms of the trader's practices can be seen are examined as part of a single check.

In more than 25% of the cases where failure to comply with the Consumer Protection Act was identified, the traders' failure to comply with their obligations to customers/consumers under the Energy Act was also identified.

3.4 Sanction proceedings

In some cases, checks are followed by sanction proceedings where ERO decides on fines; as part of a single set of proceedings it often addresses the supplier's administrative offences against tens to hundreds of customers.

In 2023, its decisions on administrative offences committed in the preceding crisis years became final and ERO therefore levied fines totalling CZK 8.5 million with finality. The sanctions for additional CZK 11 million are not final yet; appeal proceedings on them are pending.

In 2023, Lidová energie s.r.o., which had provided energy supply billing too late, received the highest fine with finality, CZK 2,240,000. Another two fines, each over CZK 1 million, concerned unfair business practices, specifically failure to keep a fixed price. Sanctions for these practices concerned BOHEMIA ENERGY entity s.r.o. (CZK 2,170,000) and TGC Energie s.r.o. (CZK 1,500,000). (Other sanction proceedings see 9.2.5.)

3.5 Prevention and education

ERO also seeks to improve customers' awareness of their rights and obligations in the energy sector; being the weaker side of contract relationships, consumers are the main target group of this public education drive. ERO approaches consumers directly, i.e. through information materials via its own communication channels (ERO website, ERO social media) and webinars, and through the media and training at relevant organisations and institutions.

3.5.1 Across-the-board education

In general, ERO wants the information about the developments in the energy market to reach the broadest possible audiences. In addition to the above advisory services it has also increased the number of contributions having a preventive nature and dedicated to model situations in which consumers land or may land very frequently. ERO posted advice on its website and its social media (Facebook, LinkedIn and X, formerly Twitter). In this respect, communication through the media, which drew on its press releases and the thematic texts in its official channels, was also very effective.

In mid-August 2023, ERO launched the campaign *Aktivně na energii* (#AktivneNaEnergie) (*Actively to Energy*) that integrated these informative and educational materials.

The primary platform was its website, on which ERO posted press releases and complete stories, advice, calls and warnings, and also answers to FAQ. Social media then referred to these texts, highlighting the gist thereof. ERO paid particular attention to billing. It prepared an instruction manual helping consumers to find their way around bills and advising them on the steps to take when suppliers refuse to refund overpayments to them. The 'decatalogue' of advice before entering into a new contract met with a great response; nor did areas in which ERO is unable to help directly remain sidelined. In this context, the most outstanding feat was the launch of a price comparison app for comparing electricity and gas suppliers' quotations; it has become an important tool when considering supplier switching.

In cooperation with the *Jihlavské listy* (*Jihlava Newsletter*) periodical, ERO prepared a consumer counselling column offering answers to frequently asked questions and Markéta Zemanová, on the ERO Board, regularly appeared in Czech Television's *Sama doma* (*At Home Alone*) show. In terms of information for the public, ERO Board members' interviews in the mainstream media and reactive media communication, specifically advice provided in situations that the particular medium's respondents were unable to resolve effectively, are crucial.

3.5.2 Webinars and cooperation with external partners

In 2023, ERO again attended a number of conferences and educational events on consumer rights. Some of the consumer-related webinars organised for the Czech National Disability Council, the Czech Union of Towns and Municipalities, and the *Národní síť Místních akčních skupin* (National Network of Local Action Groups) association focused directly on consumers and some others were quite technical and intended for representatives of consumer organisations (e.g., *Asociace občanských poraden* (Association of Counselling Organisations)), and also for municipalities, i.e. people in daily contact with consumers.

Cooperation with the Czech National Disability Council also included regular releases of contributions on consumer issues. ERO passed the information to self-governments, important partners of citizens, through SMO ČR (Czech Union of Towns and Municipalities) and the *Národní síť zdravých měst ČR* (Healthy Cities, Towns and Regions of the Czech Republic) association.

ERO continued to organise educational webinars (online lectures) with time for the participants' questions; they have become popular with experts, university students, and the public. In cooperation with SMO ČR, ERO organised webinars for both consumers and municipalities.

3.6 Intermediaries

As of 1 July 2022, ERO is authorised to register intermediaries under Section 17(7)(t) of the Energy Act; further to the lodged application, ERO conducts the procedure for granting a licence to operate as an intermediary.

In 2023, ERO received 198 applications for an intermediation licence; 189 of them were granted, and 9 sets of administrative proceedings were discontinued. Because of the large number of applications delivered in late 2022 due to the relevant transitory provision of the Energy Act, ERO was processing also those applications in 2023.

A list of all granted and valid licences is contained in the register of intermediaries⁶, which ERO set up and launched for this purpose on 1 July 2022. ERO has released a homonymous digital⁷ and printed brochure on the intermediary issue.

3.7 Explanatory statements

At the policy level, ERO continued to enhance consumer protection by a number of proposals for amendments to the Energy Act and also by releasing explanatory statements. The regulator prepares explanatory statements as, in particular, guidance for energy suppliers and customers, with a view to preventing potential interpretation problems with the provisions of the legislation within its remit. ERO thereby informs market participants about the approach that it will take in its decision-making. However, explanatory statements are neither legislation nor individually binding administrative decisions.

In 2023, ERO released two explanatory statements⁸:

- ▮ ERO Explanatory Statement 1/2023 on the illegal electricity/gas offtake in the case of repeated failure to honour payment obligations, where ERO informed market participants about the approach that it would take in its decision-making when examining the justifiability of energy supply curtailment or interruption;
- ▮ ERO Explanatory Statement 2/2023 on the discharge of the obligation to supply electricity/gas or bundled services upon the demise of one of the spouses; its purpose was to provide an interpretation of the issue concerning the duration of electricity/gas or bundled services supply contracts in the case of death.

⁶ Register of intermediaries on [ERO website](#)

⁷ Brochures, guides and practical information on [ERO website](#)

⁸ ERO's explanatory statements on [ERO website](#)

3.8 REMIT

The purpose of REMIT is to prevent energy market abuse (in particular, prohibition of insider trading and market manipulation) and to foster open and fair competition in this market. REMIT is therefore crucial for ERO's oversight activities. REMIT also lays down market participants' obligation to register for inclusion in the National Register of Market Participants (CEREMP) and to keep this information up to date, to report transactions, including orders to trade, and fundamental data to ACER, and to publicly disclose inside information.

In 2023, ERO mainly focused on watching the developments related to the forthcoming changes to REMIT, and their expected impact on the Czech legislation and energy market participants. The key forthcoming changes include a strengthening of cooperation and exchange of information at several levels: amongst national regulatory authorities, between national regulatory authorities and EU institutions, and the national financial and tax authorities. Another important area of changes is definition of terms for inside information, insider trading, market manipulation, registered reporting mechanism, Inside Information Platform, PPAT and organised marketplace.

In 2023, ERO also focused on the mechanism for data sharing between ACER and ERO, ensuring an adequate level of confidentiality, and on improving the methods for shared data processing.

3.9 International cooperation in consumer protection

CEER's working group for consumers and retail markets (CRM WG) plays a fundamental role in European regulators' cooperation in consumer protection. In 2023, CRM WG released *CEER Report Electric Vehicles: Network Management and Consumer Protection*, the *ACER/CEER Energy Retail and Consumer Protection 2023 Market Monitoring Report* yearly report, and *CEER Roadmap to 2025 Well-Functioning Retail Energy Markets: 2022 Self-Assessment Status Report*. In addition, CRM WG and ACER's group for retail markets, ARWG, are co-chaired by an ERO representative.

4 ELECTRICITY

No major issues with electricity transmission or system power stations' generation were registered in the Czech Republic in 2023. However, less electricity than in 2022 was produced. In 2023, gross electricity generation totalled 76.9 TWh, down by 7.8 TWh (-9.2%) on 2022, mainly due to economic reasons (lower demand etc.). The largest drop in generation was registered for thermal power stations, down by 7.3 TWh (-17.8%) on 2022. In the opposite direction, the country mainly felt the operation of photovoltaic plants, which generated 0.4 TWh (16.2%) more due to the massive connection of generating facilities, most of them unlicensed, which we have seen in recent years.

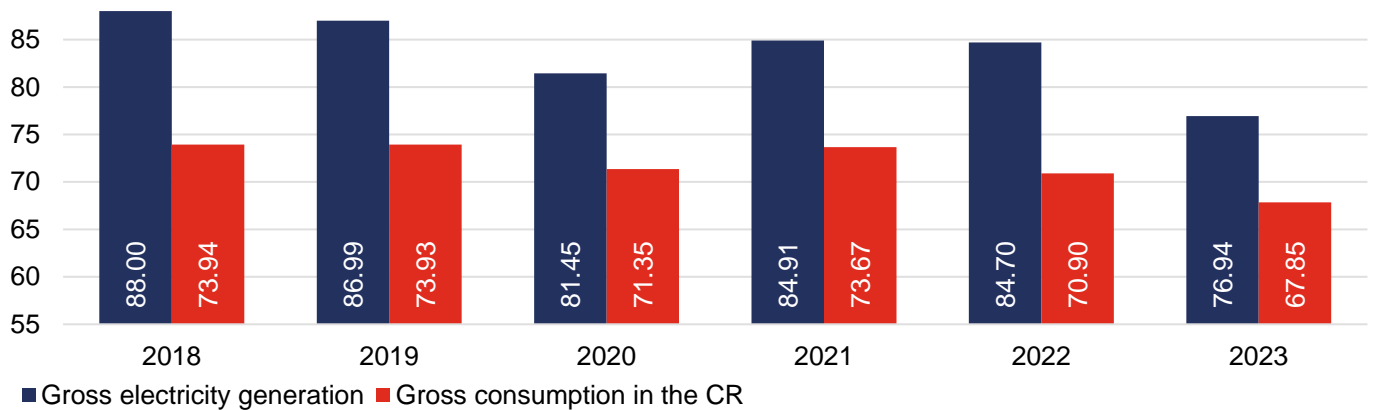
Owing to the pressure for savings, the country's net electricity consumption declined to 58.3 TWh (-3.5%). The downward trend in consumption therefore continued. The decline took place in all demand categories, most of all in the large-demand category from the MV level, by 0.9 TWh (-4.1%), followed by the household category, by 0.3 TWh (-2.1%). The causes of these drops, primarily in the household category, include the government's campaigns running since the summer of 2022 and promoting consumers' thrifty behaviour. The strongest motivation to economise on electricity clearly was its high price, mainly in the first half of 2023.

The decline in electricity consumption is also attributable to the duty, under Council Regulation (EU) 2022/1854 on an emergency intervention to address high energy prices, to reduce gross electricity demand by at least 5% during specified peak hours, which ERO had set out in December 2022. This measure was put in place in the member states for the period from 1 December 2022 to 31 March 2023. Compared with the average in preceding years, the savings in the specified hours totalled 6.5% in the above period.

From the perspective of electricity grid control, the introduction of governmental measures to stimulate demand, such as the caps on the electricity price, significantly contributed to the positive developments in 2023.

The trend, mainly in the second half of 2023, was the significant support for the decentralisation of electricity generation through the connection of small renewable electricity generating facilities and the preparation of the legislative framework for community energy development.

Chart 2 Electricity generation and consumption [TWh]



Source: ERO

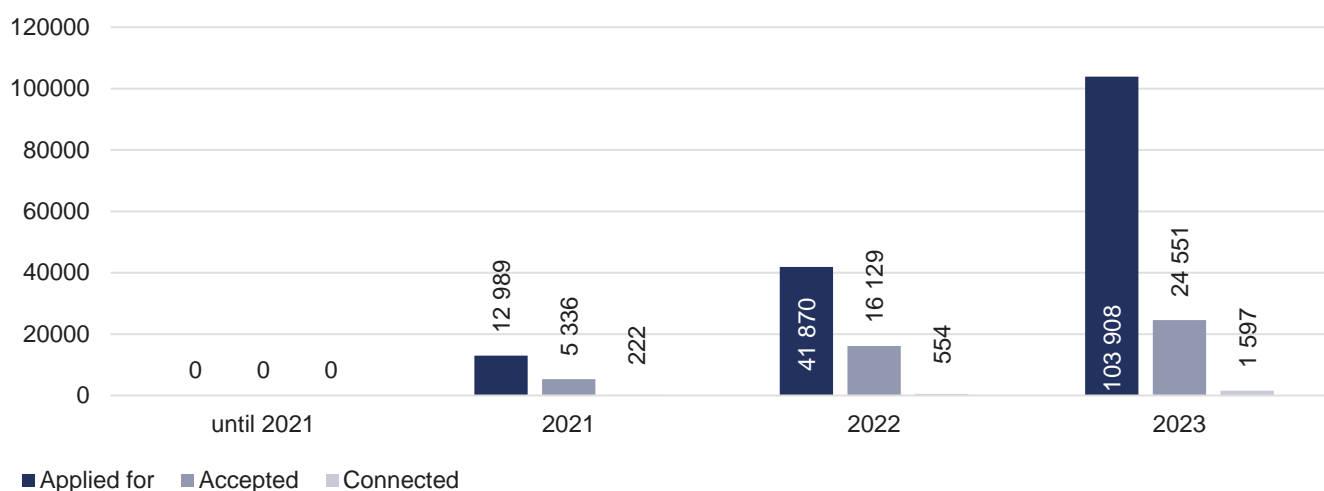
4.1 Infrastructure, network regulation and technical functioning

The operation, replacement, and development of the Czech electricity grid take place at several levels. The TSO provides for the quality and reliability of electricity supply at the 220 kV and higher levels. Distribution system operators are responsible for the quality and reliability of electricity supply at the 110 kV and lower levels. In the Czech Republic, there are four companies having the position as regional DSO and 259 local distribution system operators. Compared with 2022, when there were 261 active licences for electricity distribution, the number of the licensees did not change appreciably (263 active licences in 2023). However, there was a growth in distribution areas, i.e. the number of delineated areas was rising:

compared with 2022 (784 delineated areas) their number grew by around 9% to 853 delineated areas. This trend can be attributed to, for example, the formation of smaller local distribution systems within housing developments, commercial areas or industrial enterprises.

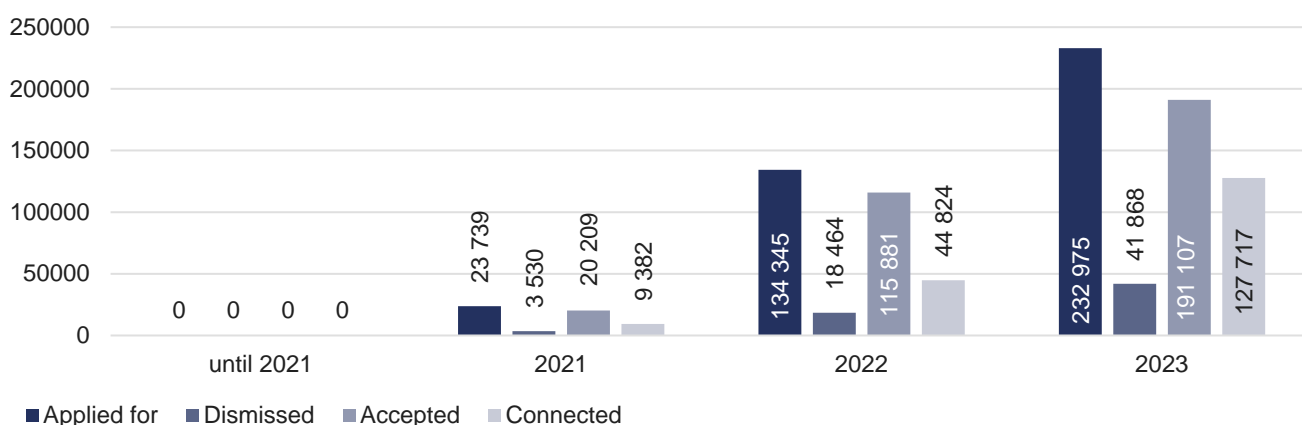
In 2023, the continuous monitoring of distribution network development was running. Within its competences ERO collected data from DSOs in respect of the quality and standard of their maintenance activities and the level of connecting new generating facilities. In terms of the evaluation of the data on maintenance quality and standard, ERO expects to complete the initial evaluation in the first quarter of 2025 when a time series covering at least two consecutive years becomes available. In terms of the connection of new generating facilities, the preliminary results of the evaluation of the 2021 to 2023 data indicate that almost 233,000 applications for connecting new power generating facilities (with the requested installed capacity at all voltage levels totalling almost 104 GW) were lodged; in that period, some 38,000 applications (with the requested installed capacity totalling over 76.5 GW) were dismissed, some 188,000 applications (with the requested installed capacity totalling around 27.5 GW) were accepted, and some 128,000 facilities (with installed capacity totalling almost 1.6 GW) were connected⁹. The significant growth in that period is attributable to the intensive subsidy policy promoting the development of RES use and a higher level of RES penetration for electricity generation.

Chart 3 Connection cumulatively [MW]



Source: ERO

Chart 4 Connection cumulatively [number of facilities]



Source: ERO

⁹ The period 2021-2023 also includes applications for connecting power generating facilities and newly connected power generating facilities accepted by 2021. The applications for connecting power generating facilities accepted in 2021–2023 may also be connected in the coming years, i.e. 2023 and beyond.

Along the technical line, ERO controls the systems through its public notices [statutory instruments] and approval of operating documents under Section 17(7)(g) of the Energy Act. In 2023, ERO conducted six consultation processes on system operators' draft operating rules; the most important changes were made in the provision of balancing services through generating module aggregation. ERO also made a significant amendment to the Electricity Market Rules (see point 9.1.1.4).

ERO also attended discussions on the National Action Plan for Smart Grids (NAP SG), the objective of which is to prepare the electricity industry for new trends, in 2023.

International working groups jointly coordinated the implementation of network codes' and framework guidelines' requirements at the national level. These mainly included the requirements of Regulations (EU) 2015/1222, 2016/1719, 2017/1485 and 2017/2195. Work related to performing the obligations laid down in Regulation (EU) 2019/943 was under way in 2023. In this context, ERO used the provisions of this Regulation and granted the TSO a derogation under Article 6, under which it can procure a certain part of balancing services not only at the day-ahead balancing energy market but also at auctions (contractual period no more than twelve months). Additional activities focused on control of the European synchronous areas of electricity systems, particular attention being paid to the working of the European platforms for cross-border balancing energy exchanges (PICASSO and MARI) and the working of the Regional Coordination Centres. ERO representatives also attended discussions on proposed amendments to the network codes on connection and the proposal for a new network code laying down the conditions for the working of the demand side at the electricity market.

4.1.1 Ten-year National Development Plan for the electricity transmission system in the Czech Republic for 2023–2032

4.1.1.1 Approval process

ČEPS, a.s., the transmission system operator, provided its Ten-year Plan for the Development of the Czech Transmission System 2023–2032 to ERO for approval in February 2023. As part of the approval process, February 2023 also saw the launch of a consultation process during which the received responses were settled. ERO was one of the entities responding to this document. When assessing it, ERO mainly looked at the compliance of the national development plan for the transmission system with the Union-wide ten-year network development plan for the transmission system and whether the scenarios for transmission system development sufficiently reflected the current targets in RES development. In this assessment ERO also focused on the PCI that now appear among acknowledged projects in the Commission's fifth list. These chiefly include erecting lines on the Verněřov-Vítkov, Vítkov-Přeštice, Přeštice-Kočín and Kočín-Mírovka routes for reinforcing electricity transmission from the west to the southeast.

The plan was approved on 12 June 2023.

The capital expenditure on transmission network replacement and reinforcement over ten years will exceed CZK 80 billion. The most capex intensive year will be 2024, when ČEPS will spend over CZK 11.8 billion. In the following years, capex is planned to be six to nine billion per year.

4.1.1.2 Planned projects

Most of the country's 400 kV lines date back to 1959 to 1980. These crucial lines will have to be upgraded and often also reinforced by double-circuiting. The TSO's priority is the gradual replacement of older 220 kV lines with more modern 400 kV lines. Under these projects, most of the lines will be erected in the existing corridor, minimising both the environmental impacts and the appropriation of additional land.¹⁰

¹⁰ A complete list of the planned projects is part of the Plan.

Conversion of the Hradec–Vítkov 220 kV double-circuit line to the Verněřov–Vítkov 400 kV double-circuit line

The plan is to erect a 400 kV double-circuit line between the Vítkov and Verněřov 420 kV substations. This will help to safely export output from the planned RES in the Karlovy Vary and Ústí nad Labem areas and, together with some other plans in western Bohemia, significantly reinforce the transmission system.

Doubling two existing 400 kV lines: Prosenice–Nošovice and Chrást–Přeštice

This change between the Prosenice and Nošovice 420 kV substations will reinforce the profile of the transmission system and, together with some other plans in the area, help to direct and evenly distribute transit flows across the Czech Republic. It will also positively influence load distribution, thereby enhancing the safety, reliability and efficiency of operation.

The erection of a double-circuit line between the Chrást and Přeštice 420 kV substations will also help to reinforce the profile of the transmission system and significantly contribute to increasing the reliability of exporting output from the existing and planned installations concentrated in the north-western area of Bohemia, and, together with some other plans in the area, help to direct and evenly distribute transit flows.

Upgrade of the V445/446 line

The plan is to modernise the existing 400 kV line between the Hradec and Röhrsdorf substations. The actual execution includes only the section in the Czech Republic. The purpose is to completely replace the line using phase conductors that will withstand loading by the current used by the foreign partner. In view of the importance of this international line and ČEPS's experience with the reliability of its existing pylons made of ATMOFIX (trade name of a low-alloy steel with increased resistance to atmospheric corrosion), the existing steel structures, including foundations, also have to be replaced when replacing conductors, ground wires and insulator sets. This plan, together with some other plans in the area, will make it possible to maximise the use of the currently existing transmission capacity of the line on the part of the foreign partner while preserving the safe and reliable operation of the Czech grid.

Additional projects

The construction of new transformer stations at Praha-Sever, Milín, Dětmarovice, Leskovice and Malešice is related to the erection of new and reinforcement of existing lines.

The ten-year plan also includes longer-term plans beyond the ten-year horizon; their primary objective is also upgrading the existing and erecting new transmission lines in agreement with the long-term policy to remove 220 kV lines and replace them with 400 kV lines. The reinforcement of cross-border lines with Slovakia is also planned. The reinforcement of interconnectors with additional adjacent countries is being examined in ongoing studies at present.

4.1.2 Implementation of Network Codes and Guidelines

The activities of international working groups were affected by the ongoing energy crisis. In respect of source adequacy, this issue resounded primarily in terms of learning a lesson from the set measures that had been activated in the various countries mainly for customer protection and demand support. In respect of source adequacy, an important move related to changes in the energy market was also the recalculation of the reliability standards, which was carried out in cooperation with the Ministry of Industry and Trade (MIT) and the TSO in the second half of 2023.

At ACER, regulators were drawing up position papers, in particular those on TSOs' proposals, for example, to amend already approved methodologies or propose new methodologies under Regulations (EU) 2019/943, 2016/1719, 2015/1222, 2017/1485 and 2017/2195.

Of the amended methodologies under Regulation (EU) 2016/1719, worth mentioning is the harmonised allocation rules (HAR) for long-term electricity transmission rights. As part of the harmonised rules, the regulators addressed the fundamental issue of the amount of the collateral for LTTR in auctions. Changing these methodologies is a prerequisite for the timely introduction of LTTR flow-based auctions in the Core region.

Regulation (EU) 2015/1222 was amended to change the methodology of day-ahead (DA) scheduled exchanges and the CIDM, congestion income distribution methodology. One of the most discussed issues

was the transition to a 15-minute trade granularity. Starting on 1 July 2024, the Czech Republic will gradually implement cross-border trading in 15-minute products. In the Czech Republic, the transition to 15 minutes is interlinked with a number of other changes: start of sending meter readings in the 15-minute granularity on 1 July 2024 (amendment to MIT's public notice 350/2020 on metering), impacts on the one-hour green premium, etc. It should also be noted that under the CACM Regulation, the market operator was again designated as the nominated electricity market organiser in the Czech Republic as of 1 January 2024 for an indefinite time.

Throughout the year, the duties under Commission Regulation (EU) 2017/2195 concern electricity balancing and the related amendments to the methodologies in this respect. As regards the platforms for exchanging and sharing balancing energy, in 2023 the main topic was member states' connection to the PICASSO and MARI platforms, or reasons for not connecting by the planned date. The Czech Republic already is an active party to both platforms, and the ongoing discussions are therefore theoretical only and no steps have to be taken in relation to the country's operation on the platforms. Talks are also under way on adjustments and, in general, the future of the TERRE platform (exchanges of balancing energy from replacement reserves). The Czech Republic's accession to ALPACA, i.e. Allocation of Cross-zonal Capacity and Procurement of aFRR Cooperation Agreement, is also being prepared.

The cooperation in the Core regional working group focused on amending and approving important methodologies under Regulations CACM, FCA and EBGL. These methodologies include those for splitting long-term cross-border capacity (LTSR, long-term splitting rules), for BTCC: balancing timeframe capacity calculation, the DA CCM: day-ahead capacity calculation methodology applicable in Core, and the ID CCM: intraday capacity calculation methodology applicable in Core. Late 2023 saw debates on primarily amending proposals for ID CCM concerning the introduction of minimum capacities not only at the day-ahead but also the intraday market (at least 70% of electricity transmission capacity should be available for cross-border trading). Other major issues discussed in Core included Switzerland merging into the capacity calculation methodologies and connecting Italy North to Core.

In 2023, activities under Regulation (EU) 2022/869 on guidelines for trans-European energy infrastructure were mainly influenced by the rising tendency to connect decentralised RES generation throughout Europe. In the Union-wide ten-year network development plan, electricity grid development projects and also smart grid projects related to the intended changes were revised to reflect the current trends.

4.1.3 Projects for smart grid development and local cooperation

The Czech Republic has three smart grid development projects, which distribution system operators have submitted together with their foreign partners.

ACON Smart Grids is a project run by EG.D, a.s. and its Slovak partner, Západoslovenská distribučná, a.s. It is important for smart grid development and has been included in the list of the EU's Projects of Common Interest (PCI) with expected implementation between 2018 and 2024. It is also subsidised under the CEF Energy programme, capital expenditure amounting to EUR 180 million. EG.D's capital expenditure is EUR 90 million and the expected support by the EU is 50%. ACON should help to deploy modern technologies, such as a greater RES penetration, integration of electric vehicle charging points, use of power storage equipment, and rollout of a smart communication network for sharing data from smart devices. Another purpose of the project is enhancing the safety and stability of the distribution network's operation in crisis situations.

Gabreta Smart Grids is another mainstay project implemented by distribution companies EG.D and, in Germany, Bayernwerk. In 2022, the project was included in the PCI list and the next step was applying for a grant of EUR 300 million and kick off in 2023. The main benefits of the project include an economically efficient electricity system with lower losses and enhanced quality, greater security of supply, improved integration of RES, increased grid users' capacity, improved capacity utilisation, positive environmental impact and enhanced international cooperation and knowledge sharing. Gabreta Smart Grids will foster cross-border cooperation at the distribution level through a new cross-border interconnection. The specific project activities will prepare the power grid infrastructure for a broader energy transition towards intermittent renewable sources.

EGI Grid is a project of ČEZ Distribuce, a.s. and seeks the PCI status. The main promoters of the project are the Polish TSO and the Swedish E.ON distributor, and some DSOs as additional partners. The purpose of the project is constructing a smarter and more secure energy grid in the EU member states, creating

a new, higher common technical standard for electric transformer stations based on Smart Grid technologies, using automation and observability to improve network security and security of energy supply. The project also intends to verify grid connection conditions in order to connect more RES and energy intensive industries to the grid. A priority is publishing grid data on common visualisation platforms (voltage, load, temperature, cloudiness, wind speed, connected RES production, number of customers and energy intensive industries) in specific grid nodes (HV stations, MV stations) to allow energy retailers, aggregators, and scientific community, in a transparent and non-discriminatory manner, to simulate new energy market products (flexibility). Equally importantly, the project wants to test the usage of meteorological data to change the grid configuration in order to avert negative weather effects.

At the level of TSOs, 2023 saw intensive talks with partners in Germany and Austria on extending local cooperation in respect of balancing capacity for the provision of balancing services (aFRR). These talks resulted in presenting three key methodologies governing the procedures for cross-border balancing capacity sharing to the concerned countries' national regulators for approval. It should also be noted that in March 2023, ČEPS became a regional partner in FCR Cooperation (Frequency Containment Reserves), thereby boosting its portfolio of opportunities for procuring this service, enhancing the safety and reliability of supply, and optimising its FCR service procurement costs.

4.1.4 Safe and reliable regulation, supply quality

Under Section 21 of the public notice on the quality of electricity supply (540/2005), ERO monitors the level of supply quality achieved in distribution systems measured by electricity supply continuity indicators:

- /// System Average Interruption Frequency Index in the period under review (SAIFI),
- /// System Average Interruption Duration Index in the period under review (SAIDI),
- /// Customer Average Interruption Duration Index in the period under review (CAIDI).

In 2023, SAIFI levels increased for ČEZ Distribuce, a.s., in particular due to the extensive outages at the HV level. Both indexes deteriorated for EG.D, a.s., mainly due to the inclement weather, and for PREdistribuce, a.s. the indexes returned to lower levels because the company did not experience again any extensive outage such as the one in June 2022, when approximately 40% of its customers were hit.

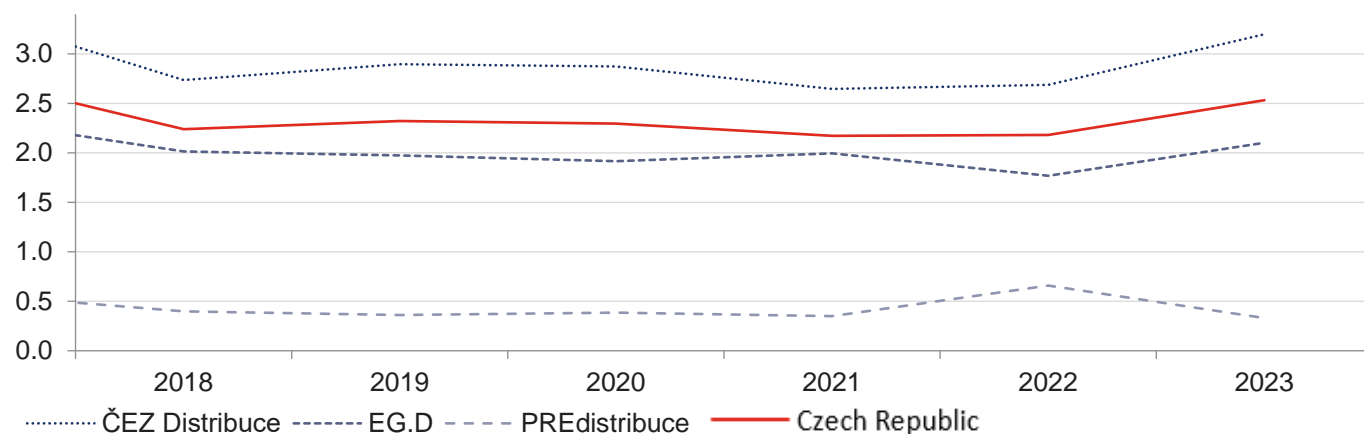
Table 2 Electricity distribution continuity indicators

Indicator	ČEZ Distribuce, a.s.	EG.D, a.s.	PREdistribuce, a.s.	CR
SAIFI [interruptions/year]	3.20	2.10	0.33	2.53
SAIDI [minutes/year]	298.82	308.98	27.15	264.85
CAIDI [minutes]	93.46	147.07	81.98	104.60

Source: ERO

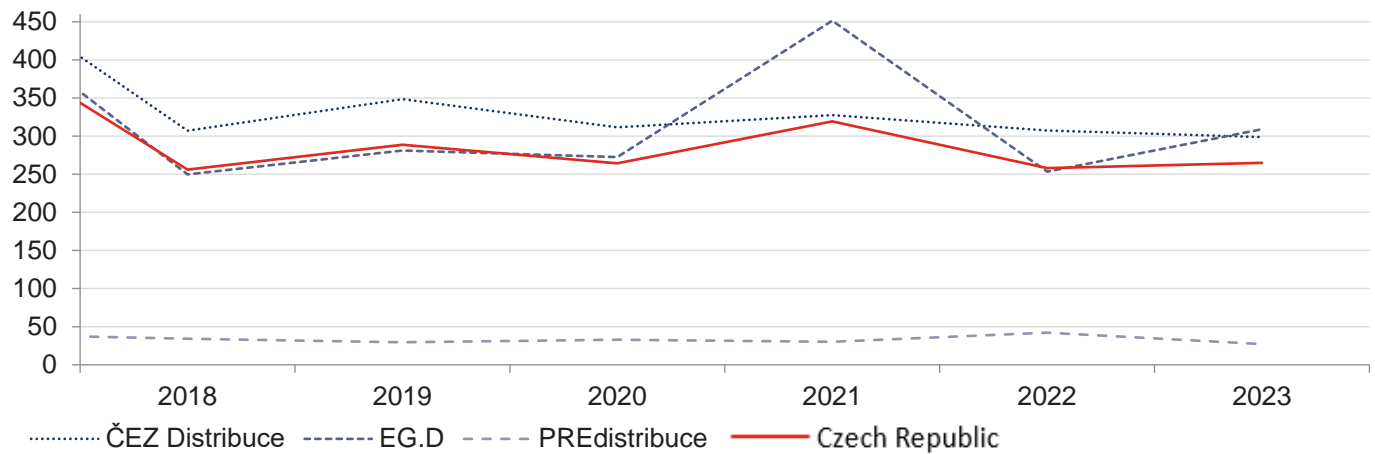
Note: System indicators covering all categories of interruption under Appendix 4 to public notice on quality in the electricity industry

Chart 5 SAIFI (interruptions/year)



Source: ERO

Chart 6 SAIDI (minutes/year)



Source: ERO

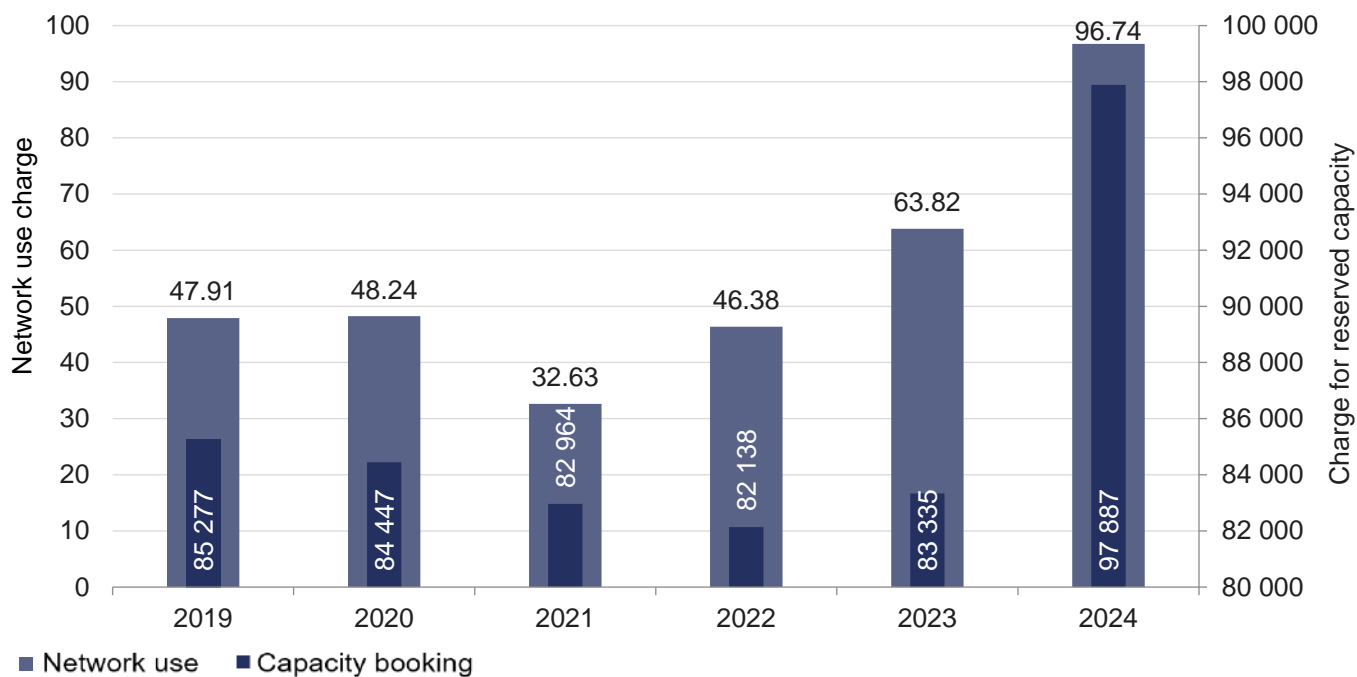
4.2 Price controls – network tariffs

ERO issued its Price Decision 2/2023 of 27 September 2023, laying down the prices for the mandatory buyer's activities and prices related to the guarantees of origin, and then on 28 December 2023 it issued an amending Price Decision 9/2023 primarily due to a large proportion of generators switching from aid in the form of green premiums to aid in the form of feed-in tariffs following the issue of Price Decision 3/2023, which made it possible to cut the prices for the mandatory buyer's activities for 2024.

ERO also issued Price Decisions 5/2023 and 6/2023 of 29 November 2023, laying down the prices for related services in the electricity industry. Following an increase in the governmental SES subsidy for customers connected to the HV and MV levels, ERO issued an amending price decision. Then on 28 December 2023, ERO issued Price Decision 9/2023 amending Price Decision 2/2023, laying down the prices for the mandatory buyer's activities and prices related to the guarantees of origin, and 10/2023 of 28 December 2023 that reduced the price component for support of SES electricity for the above customers.

The unusually steep increase in the average regulated component of electricity supply prices for 2024 was chiefly caused by the end of major subsidies from the national budget, which in 2023 completely met the SES costs and also met a large part of the costs of covering technical losses in networks and costs of the balancing services. The cabinet decided to terminate this extraordinary support introduced at the time of the energy crisis and for 2024, the above costs again became part of the regulated component of electricity supply prices. Another major factor affecting the regulated component of the price for 2024 is the high electricity price at the wholesale market, which is declining gradually but still maintains higher values than in the pre-crisis years. ERO leveraged all of its legal options to set the regulated component of electricity supply prices in its price decisions for 2024 so that the regulated prices would continue to meet economically justifiable costs of ensuring the reliable, safe and effective operation of networks while minimising the necessary increases in regulated prices as much as possible.

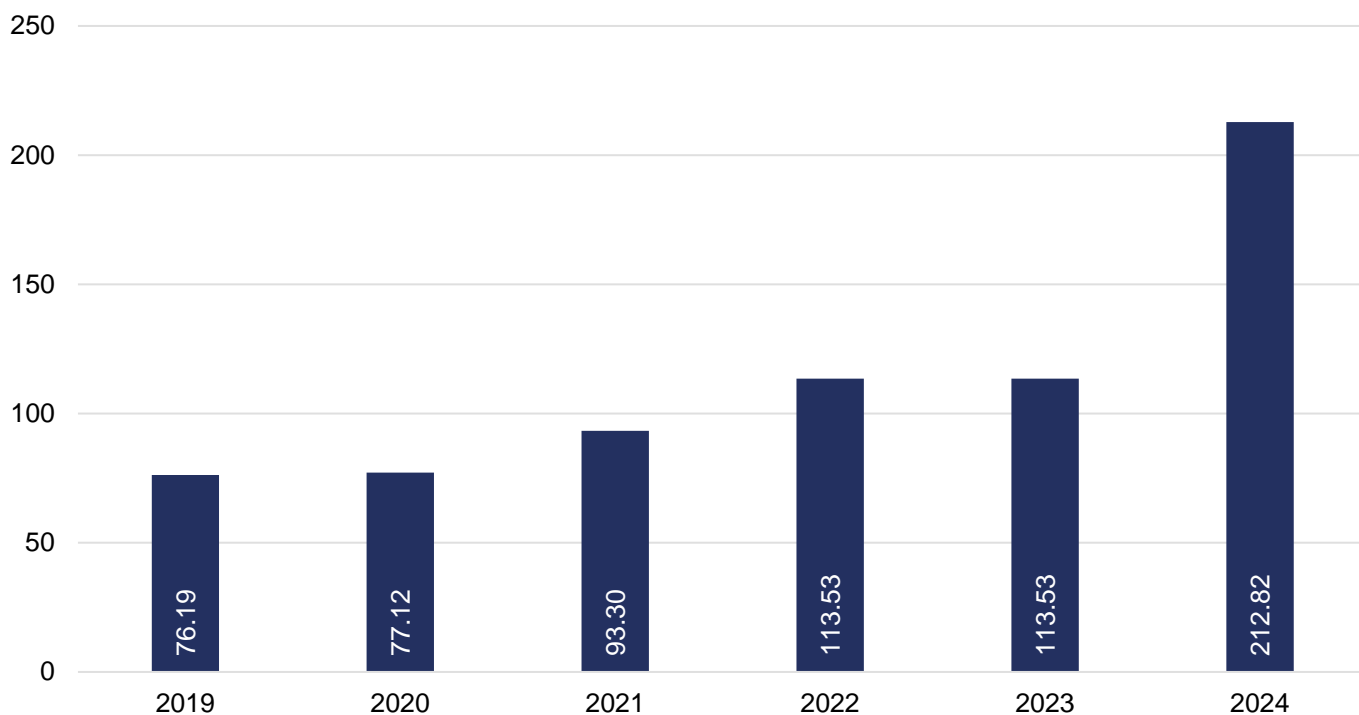
Chart 7 Charges for network use in the transmission system [CZK/MWh] and reserved capacity [CZK/MW/month]



Year-on-year change	2024/2023
Network use charge	51.6%
Charge for reserved capacity	17.5%

Source: ERO

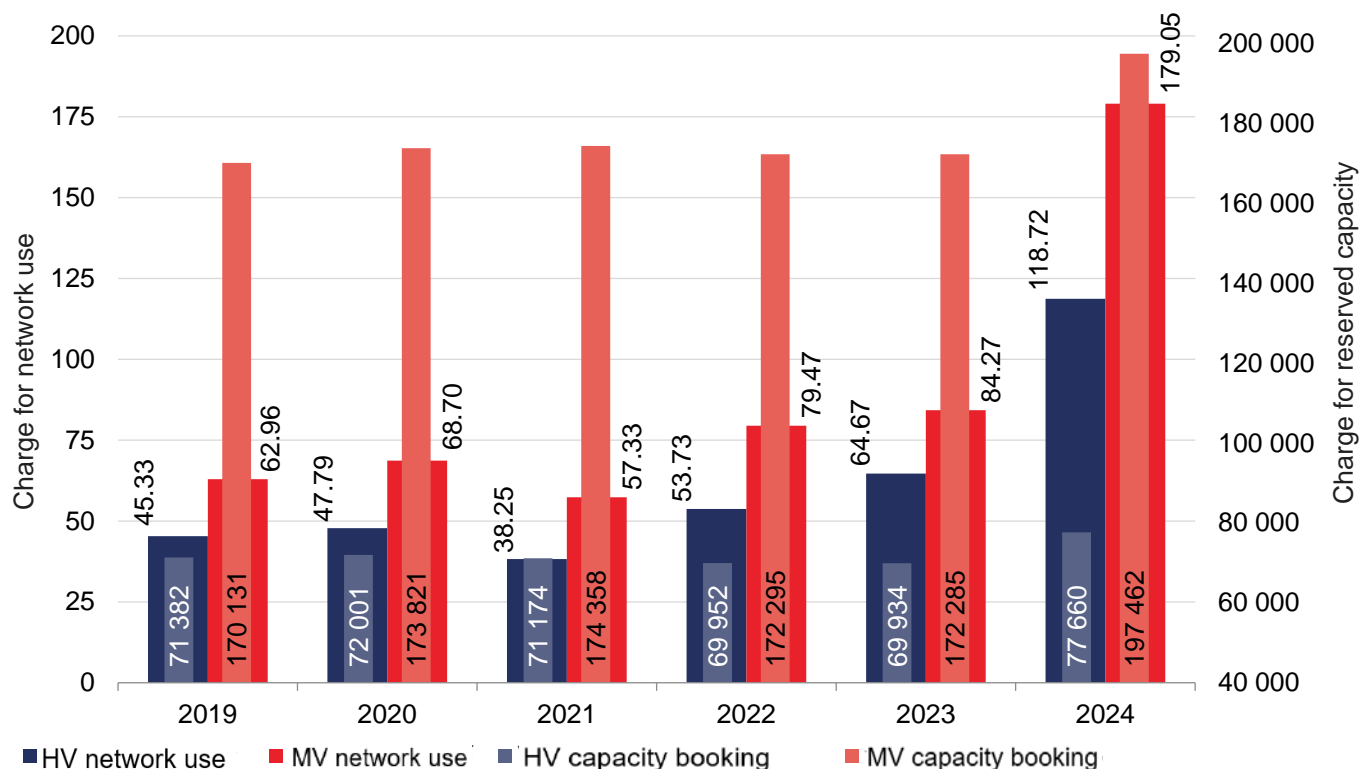
Chart 8 Charge for system services [CZK/MWh]



Year-on-year change	2024/2023
Charge for system services	87.5%

Source: ERO

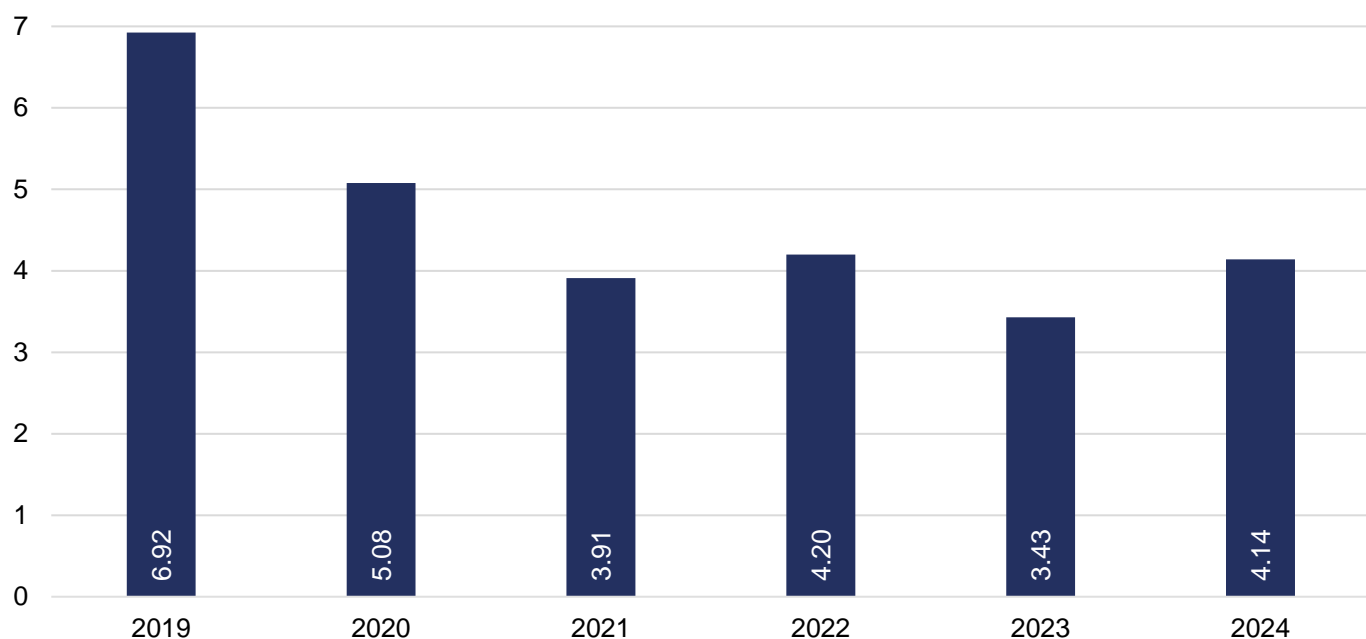
Chart 9 Charges for use of MV and HV distribution system networks [CZK/MWh] and reserved capacity [CZK/MW/month]



Year-on-year change	Voltage level	2024/2023
Network use charge	HV	83.6%
	MV	112.5%
Charge for reserved capacity	HV	11.0%
	MV	14.6%

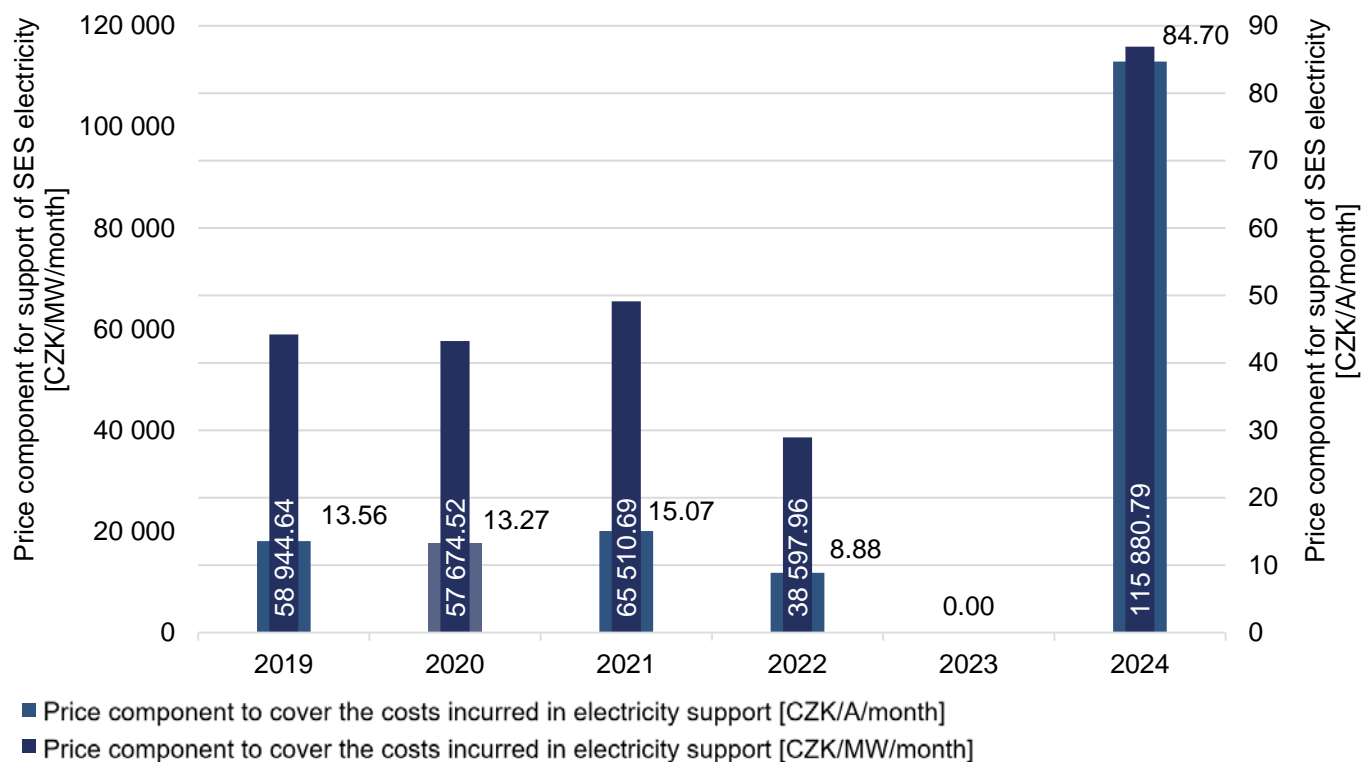
Source: ERO

Chart 10 Charge for the market operator's services in electricity [CZK/SP/month]



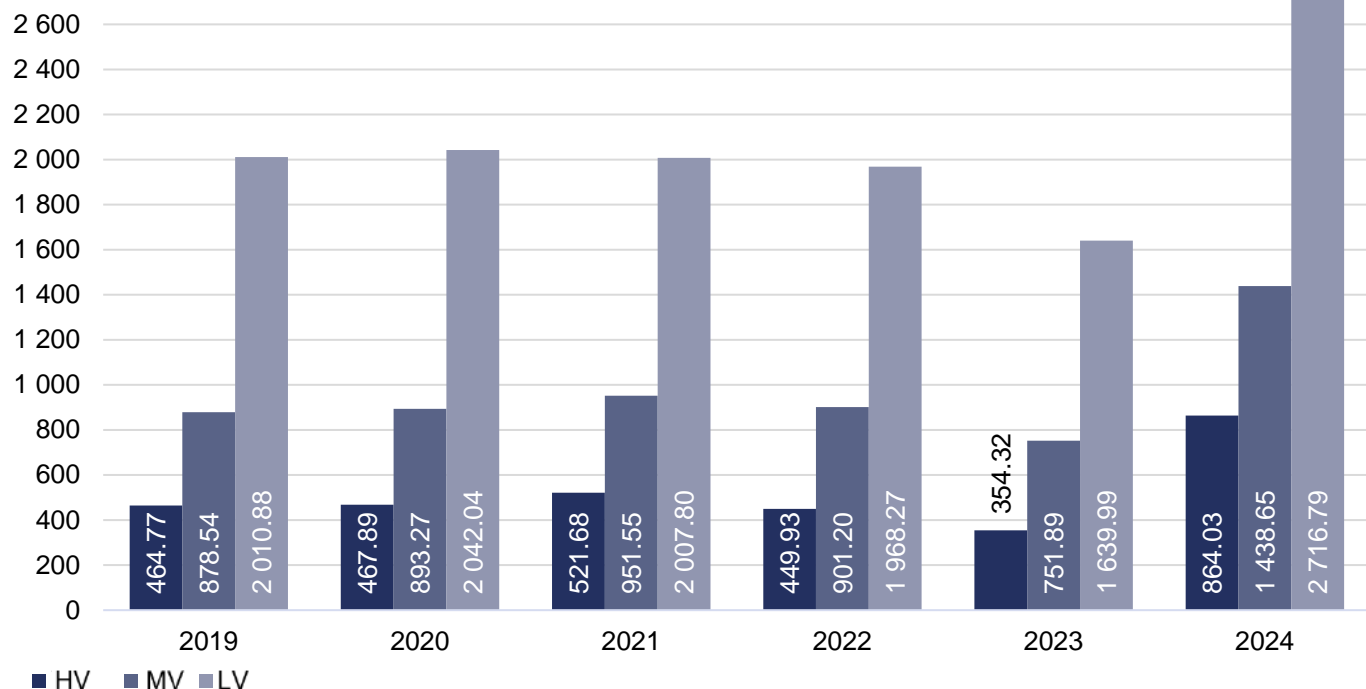
Source: ERO

Chart 11 Development of the charge for renewable electricity support



Source: ERO, the average value is shown for 2022

Chart 12 Average regulated component of electricity price at each of the voltage levels [CZK/MWh]



Year-on-year change	Voltage level	2024/2023
Average regulated component of electricity price	HV	143.9%
	MV	91.3%
	LV	65.7%

Source: ERO

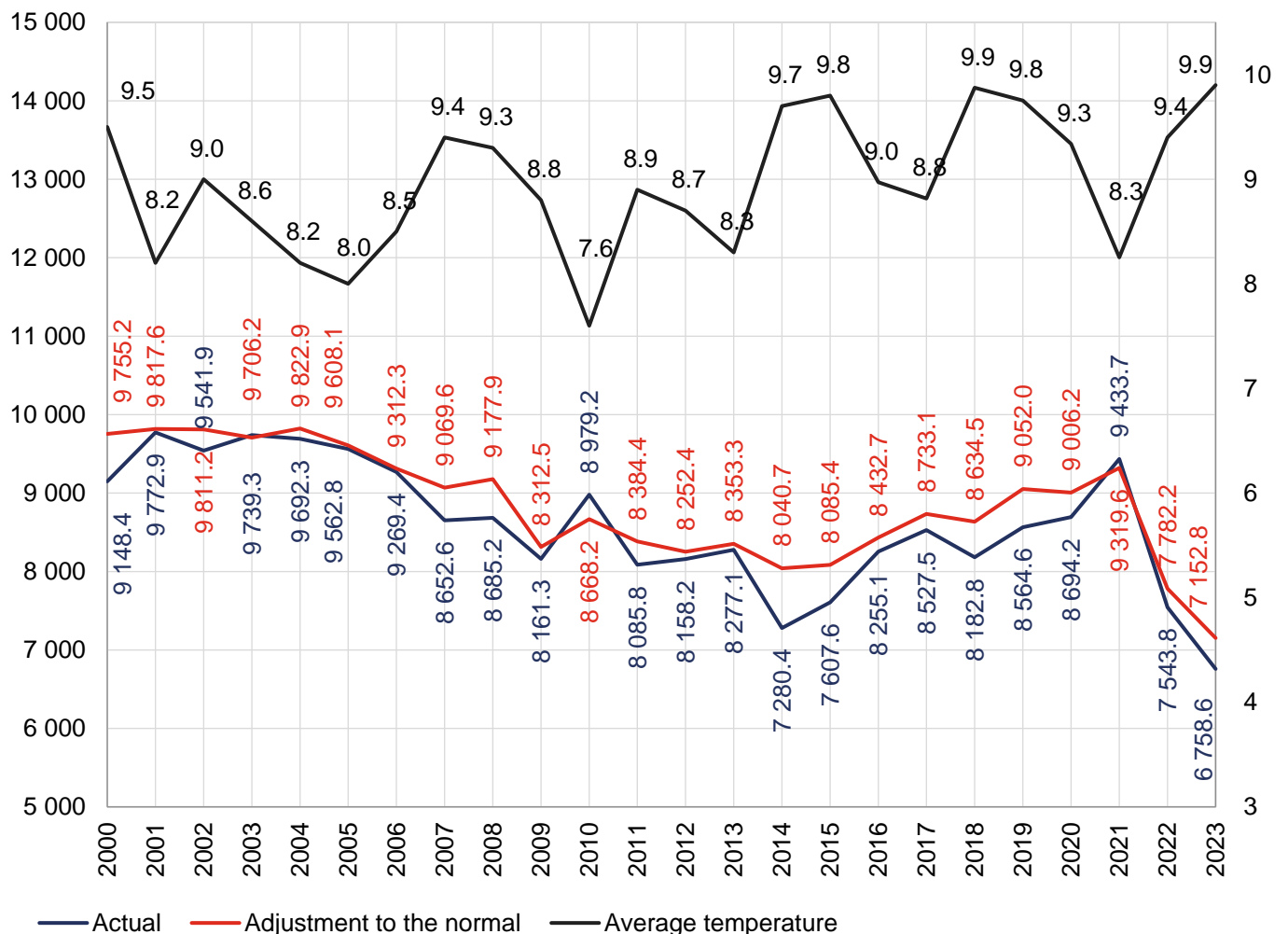
5 GAS INDUSTRY

Natural gas consumption in the Czech Republic was slowly rising in preceding years, despite minor fluctuations. While 2021 saw the highest value of consumption since 2005, in 2023 the smallest gas quantity was consumed in the Czech Republic for more than thirty years. The growth ended in 2022 by a record drop of 20% in consumption; in 2023, actual consumption decreased by 10.4% year-on-year. Thus, total annual consumption of natural gas in the Czech Republic was only 6.759 bcm, i.e. 73,742 GWh. The average gross calorific value in the Czech Republic was around 10.91 kWh/m³, i.e. 39.28 MJ/m³.

The drop in annual consumption was due to the energy crisis, including Russia's invasion of Ukraine. Together with all the other EU countries the Czech Republic was compelled to coordinate measures intended to reduce natural gas consumption. In addition to the above austerity measures, natural gas consumption was also heavily influenced by air temperatures, which were above the long-term normal temperature (8.5 °C) for almost the whole of the ten-year period. At the same time, a change of 1 °C in average annual temperature causes a difference of about 280 mcm (3,055 GWh) in gas consumption.

Average annual temperature was 9.9 °C in 2023, and the difference from long-term normal temperature was +1.4 °C and from average temperature in 2022 it differed by +0.5 °C. Gas consumption in the heating season accounted for around 68% of the total annual consumption. The lowest monthly consumption was measured in July (281 mcm, i.e. 3,082 GWh), while the peak consumption was registered in January (892 mcm, i.e. 9,715 GWh). A decrease in consumption compared with the same period of 2022 was registered in all months of the year under review, most of all in January (21.4%) and in September (21.2%). Adjusted to long-term normal temperature using temperature gradients, in 2023 natural gas consumption amounted to 7,153 mcm, i.e. 78,045 GWh, down by 8.1% year-on-year.

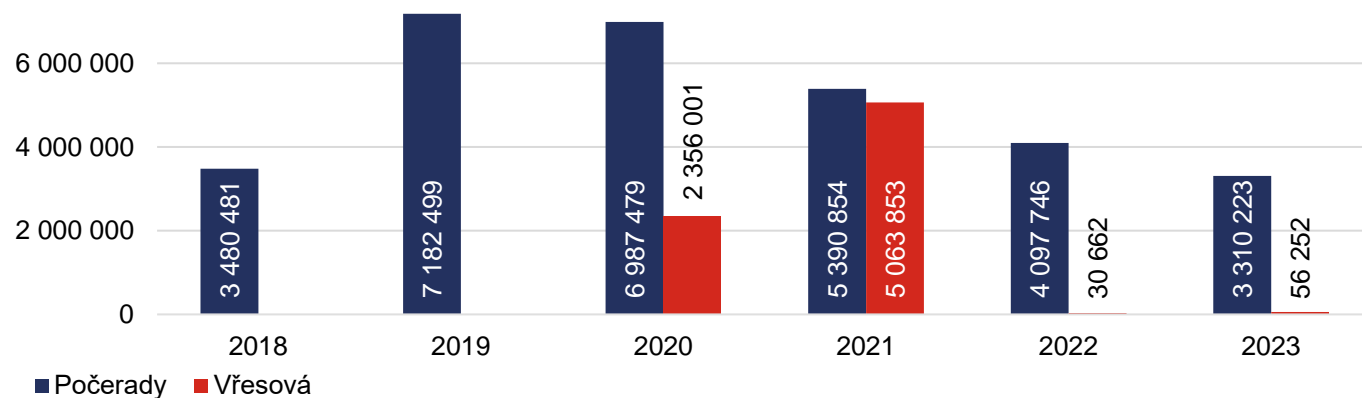
Chart 13 Overall evaluation of gas consumption in the Czech Republic [mcm] also showing adjustment [mcm] to long-term normal temperature [°C]



Source: ERO

The continuing energy crisis caused a significant decrease in combined cycle plants' share of total gas consumption. The Počerady power station consumed 3,310 GWh of gas for electricity generation in 2023, down by 19.2% y-o-y. Another important combined cycle plant at Vřesová, which consumed 5,064 GWh of natural gas in 2021, switched to alternative fuels in 2022 and its natural gas consumption dropped to 56 GWh in 2023. The overall y-o-y drop in gas consumption for electricity generation was almost 15% for all generators.

Chart 14 The Počerady and Vřesová combined cycle plants – natural gas supply for electricity generation [MWh]



Source: ERO

The agenda of international working groups on gas centred on the geopolitical and energy situation. All short-term measures that had been put in place for protecting the European gas market were carried out in 2022 and the working groups mostly analysed their efficiency and also considered the permanent implementation of those that had proved to be sufficiently robust in the context of the future design of the renewable and low-carbon gas market. The key issues therefore included security of gas supply to the EU (and to its member states), the level of gas stores in European gas storage facilities, and the efficiency and need of the storage measure for future winter storage seasons. In the context of pursuing the decarbonisation ambitions and the related transition to intermittent energy sources, the groups continued to discuss the design of the future gas market, or in fact an integrated market that should interlink the electricity, heat supply and gas industries. Gas working groups therefore also focused on monitoring the development of the electricity legislation. The working groups' main objective was to prepare position papers commenting on legislative documents of the gas industry's decarbonisation package (the possible scenarios of the future use and new role of natural gas, biomethane, synthetic gases, hydrogen, and gas infrastructure). The preparatory phase of the NC CAM revision went into full swing and culminated in a public consultation process for the purpose of assessing the market rules now in place and gathering the stakeholders' views (14 November 2023 to 5 January 2024). The Commission has set the planned start of the debate aimed at adopting the proposed amendments to NC CAM for the first quarter of 2025.

ERO's activities in ERRA's NG COM group centred on, *inter alia*, strengthening the regulatory framework and supporting the development and integration of low-carbon gases, underlining hydrogen as the key element of energy transition. This effort was reflected in various contributions, including analyses of and proposals for regulatory approaches in support of hydrogen implementation. The group dedicated greater attention to the importance of hydrogen for achieving decarbonisation in various sectors, such as industry, transport, space heating and electricity generation and it also addressed the multifaceted regulatory, economic and technological challenges associated with hydrogen production, transport and storage. Special attention was devoted to hydrogen produced from RES, emphasising the need of clear political guidelines, investment in R&D, and the repurposing of the infrastructure required for broad acceptance of hydrogen technologies.

In this context, one of the group's main outputs in 2023 was the research paper *Hydrogen – A Regulatory Approach*, which outlines the regulatory challenges and principles associated with support for hydrogen economy, emphasises the importance of hydrogen in the decarbonisation effort, and describes various production methods, political strategies and regulatory aspects required for hydrogen development and integration in the energy system.

5.1 Infrastructure, network regulation, storage facilities and technical functioning

Fundamental changes in natural gas flows in the EU continued in 2023. In the Czech Republic this meant using the northern gas transmission corridor from Norway and the western corridor for LNG supply from the North Sea coast via the Brandov IP to the rest of the country. The reduction in gas transit across the Czech Republic to the east has spawned questions regarding the use of the transit part of the gas system in the future. Because of the uncertainties surrounding the potential extension of the contract for gas transmission from Russia via Ukraine, which ends in 2024, the future gas supply from Russia to Europe, and the future hydrogen transport across the Czech Republic, it is now very difficult to predict the future use of the gas transmission infrastructure to the current extent.

The beginning of 2023 saw a suspension of Gazprom's payments for booked capacity in gas pipelines in the Czech territory, which had a very adverse impact on the gas TSO, NET4GAS, s.r.o. As the result, the company reported an accounting loss of CZK 1.7 billion for 2023 in its consolidated financial statements. In compliance with the regulatory rules, ERO was compelled to respond to this situation and for 2024 adjusted the method for determining the TSO's revenue. This step primarily aimed at ensuring security of supply for customers in the Czech Republic; on the other hand, it was felt in an increase in the payments for gas transmission to these customers.

The owner of NET4GAS changed. On 12 December 2023, the company reported that Borealis Novus Parent B.V. and Allianz Infrastructure Luxembourg I S.à r.l., as the sellers, and state-owned ČEPS, a.s., as the buyer, completed the transfer of the 100% equity stake in NET4GAS Holdings, s.r.o., the only member of NET4GAS, to ČEPS.

In relation to the forthcoming finalisation of the gas decarbonisation package, the discussions on the gas system's readiness for transporting and distributing renewable gases, including hydrogen, have intensified.

In 2023, ERO took part in Commission talks related to the drafting of the first PCI/PMI list under Regulation (EU) 2022/869 on guidelines for trans-European energy infrastructure.

5.1.1 Ten-year National Development Plan for the gas transmission system in the Czech Republic 2024–2033

Under Section 58k(3) of the Energy Act, the Plan specifies the parts of the gas transmission system that have to be built or extended in the following ten years and specifies in detail all investments in the transmission system on the implementation of which the applicant had decided and new investments that have to be made in the following three years. The timeframes for such capital projects are also set out in the Plan. The TSO is obliged to prepare the Plan every year.

5.1.1.1 The approval process

During its public consultation process the TSO sought to deal with and settle the stakeholders' comments and suggestions, and so the Plan submitted by the TSO to ERO for assessment already took into account the technical and economic responses received from gas market participants during the public consultation in summer. As part of the official consultation process conducted on the submitted final version of the Plan, ERO received comments from several gas market participants, including a few foreign operators. ERO examined them and posted the outcome on its website. When assessing the Plan, ERO mainly examined its content from the perspective of the Czech and EU legislation's requirements, its benefits for the development of the Czech gas market, and the overall cost requirements in contrast with the specified costs, which relates to meeting the needs of consumers in the Czech Republic.

In the context of PCI projects and their mandatory inclusion in the Plan, and despite the absence of a national legislative framework for hydrogen, ERO deferred the approval of the Plan pending the adoption of the Energy Act amendment that introduces hydrogen as a gas.

In the context of the above modifications, the Plan was approved on 3 January 2024, i.e. immediately following the effective date of the Energy Act amendment.

5.1.1.2 Newly slated projects

Projects for gas transmission system repurposing¹¹

In 2023, the Commission presented a new PCI list, which is geared towards the development of hydrogen infrastructure in the gas industry under the amended TEN-E Regulation. In this context, two hydrogen corridors running across the Czech Republic have been included in the PCI list (see below, CGHI and CEHC). These hydrogen infrastructure projects are therefore becoming a *de iure* inseparable part of the ten-year development plan. Once implemented, the projects will make possible hydrogen transit across, hydrogen import into, and efficient hydrogen transmission from domestic producers to consumers along gas line routes within the Czech Republic.

Czech German Hydrogen Interconnector (CGHI)

The objective of the Czech German Hydrogen Interconnector, Czech part (CGHI, HYD-N-1034) project is the repurposing of a part of the infrastructure (the DN 1400 gas pipeline, some 170 km) between VIP Brandov and VIP Waidhaus in the western part of the Czech gas transmission network so that it is able to transport pure hydrogen. The project envisages the maximum use of the existing gas infrastructure, thanks to which a cost effective and efficient solution for cross-border hydrogen transport will emerge.

The project is part of a same-name initiative, Czech German Hydrogen Interconnector, aiming to build a hydrogen interconnection via the Czech Republic between areas with a high potential of hydrogen supply in northern Germany and the Baltics on the one hand and the envisaged cluster of high demand in southern Germany on the other hand. In addition, this corridor will also supply demand clusters in the Czech Republic along the corridor, primarily the hydrogen cluster envisaged in northern Bohemia.

Central European Hydrogen Corridor (CEHC)

The objective of the Central European Hydrogen Corridor, Czech part (CEHC, HYD-N-990) project is the repurposing of a part of the infrastructure (the DN 1400 gas pipeline, some 403 km) between IP Lanžhot and VIP Waidhaus in the southern part of the Czech gas transmission network so that it is able to transport pure hydrogen. As in the case of CGHI, it will also be possible to partly repurpose and reuse the existing gas infrastructure in CEHC.

The project is part of two pan-European hydrogen initiatives:

- ▮ Central European Hydrogen Corridor: the initiative explores the feasibility of creating a hydrogen pipeline corridor for transporting hydrogen from major hydrogen supply areas in Ukraine via Slovakia and the Czech Republic to expected high hydrogen demand areas in Germany and other downstream EU countries.
- ▮ The SunsHyne Corridor: this initiative has the ambition to develop a 'hydrogen highway' in central and southern Europe to enable hydrogen flows from future production areas in North Africa, crossing Italy, Austria, Slovakia, and the Czech Republic, to the expected high demand areas in Germany and other downstream EU countries.

Czech Republic and Poland interconnection projects

Intensive talks on the Polish-Czech Interconnection between Bezměrov (CR) and Hat' (Czech-Polish national border) (TRA-N-1009) were again held in 2023. This project had been included in the plan in view of the grave situation caused by Russia's invasion of Ukraine when diversification of gas supply gained a fundamental strategic and security importance not only for the Czech Republic.

Discussions were also held on support for the project financing method along an expert line between the operators of the transmission systems concerned and at the level of Poland's and the CR's representatives, i.e. Prime Ministers, the competent Ministries, and also along the line of special energy security commissioners. However, the final decision on project implementation had not been made by the end of 2023.

¹¹ Repurposing means 'changing the purpose of', in this case changing the purpose of a pipeline from gas to hydrogen transport.

One of the newly included international projects between Poland and the CR is the implementation of the RF-5-1260 (formerly TRA-N-150cz) project, which would meet the obligation to put in place bidirectional capacity at the Cieszyn cross-border point under Regulation (EU) 2017/1938. The technical substance of the project is ensuring reverse flow via this cross-border point through building a DN 500 interconnector, including pressure and flow control, between the existing STORK I pipeline and the Třanovice delivery station at the first stage. At the second stage, the construction of a compressor station is envisaged, with two variants being considered for ensuring a firm technical capacity of up to 10.8 GWh/d depending on the achievement or otherwise of a trilateral agreement between the TSO, the DSO, and the SSO. This project constitutes an economical alternative to the TRA-N-1009 project.

National projects

In view of the expected transformation and decarbonisation of the heat supply industry and electricity generation, the year saw continued preparations for reinforcing the national gas transmission infrastructure for increasing entry capacity to the domestic zone, specifically the DZ-3-008 to DZ-3-011 projects.

5.1.2 Implementation of network codes and guidelines

NC BAL, balancing

Further to the completed implementation of network codes, ERO is evaluating the efficiency of the model for gas balancing in the system, which has been in effect since 1 July 2016 and then, amended, since 1 January 2019. In view of the absence of suggestions from gas market participants and the absence of problems it can be noted that the rules have been designed well and there is no need to modify them. The ACER report, for which ERO provides its comments and input information, contains an evaluation at the European level every year.

CMP

Under the CMP rules, elaborated on in the Gas Market Rules, the TSO shall inform both ERO and the BRP/foreign participant concerned about any unused booked transmission capacity following the end of the period under review.

2023 saw continued intensive monitoring of the use of long-term transmission capacities by gas trade licensees. The trend of failure to use booked capacity, which was triggered by Russia's invasion of Ukraine, continued to strengthen. Despite the gradual meeting of the criteria for divesting of capacity in the context of the applicable CMP rules, an assessment of the situation has shown that in the Czech Republic, as in the adjacent member states, it was not feasible to divest the user of such capacity for the long term through a simple measure.

The trend of failure to use booked long-term transmission capacity can be expected to continue in 2024.

NC TAR

Under Article 28 NC TAR, ERO consults the discounts, multipliers, and seasonal factors on an annual basis. It then reflects the outcome from this consultation in the wording of its price decisions. On its website, it posts information required by NC TAR (Articles 29 and 30) every year.

NC CAM and NC INT

In 2023, ERO did not receive any suggestions to amend the public notices (statutory instruments) in its competence and concerning capacity provision or interoperability in the Czech gas market from gas market participants.

MDAR 2021, Polish-Czech interconnection

In view of the legal uncertainty that had arisen in respect of the procedure under NC CAM in the light of the Judgment of the General Court of the CJEU in the joined cases T 684/19 and T 704/19, in 2022 the regulatory authorities requested ACER to recommend further steps. On the basis of the opinion that ERO received in January 2023, which it also passed to NET4GAS, the TSOs concerned decided that they would not offer incremental capacity in the yearly capacity auction in 2023 and to discontinue the process.

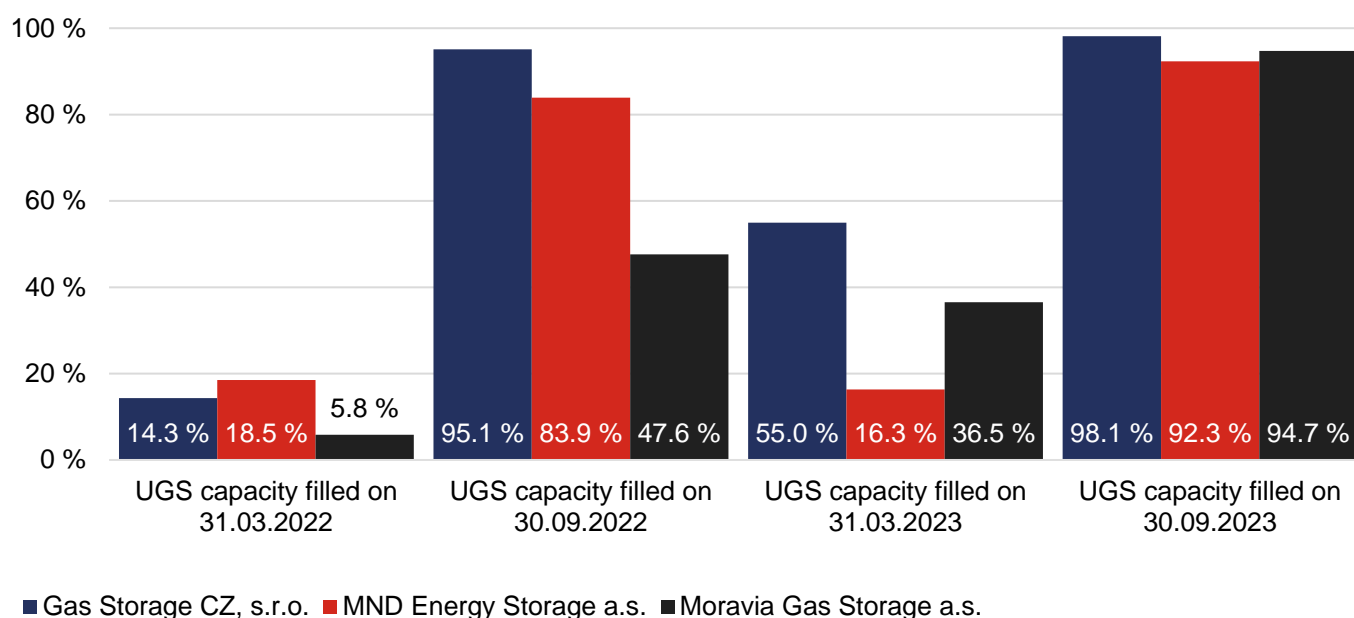
Incremental capacity 2023

Instead of the MDAR process, NET4GAS decided to carry out the non-binding phase of the incremental capacity process on the borders between the Czech Republic and adjacent bidding zones during 2023. The purpose was to quantify the potential demand for incremental capacity. However, in July and August 2023, NET4GAS did not receive any indicative demand for incremental capacity at any national border. The process was thereby discontinued without the need for any follow-up steps.

5.2 Gas storage facilities – regulated and unregulated access to storage facilities

A key criterion for gas storage facilities is the level to which they are filled before the beginning of the heating season and at the end of the storage year. Following the implementation of countless measures at the EU and national levels in connection with departure from Russian gas, the gas levels in storage facilities were relatively high at the end of the 2022/2023 storage year (following the winter withdrawal season). By the same token, high levels were also ensured at 1 October 2023, the beginning of the new storage year (the 2023/2024 season).

Chart 15 Comparison of gas volumes in storage facilities between 2022 and 2023 [%]



Source: www.rwe-gasstorage.cz, www.moravia-gs.cz, www.gasstorage.cz

Note: The percentage expresses the ratio of the gas quantity in the facility and its technical capacity.

The storage capacity market can be described as one of the most transparent in the EU. Access to storage facilities is based on the principle of negotiated third-party access (TPA). ERO does not regulate the price for gas storing; this price is made by the market based on the results of auctions that are run using an auction mechanism determined by the SSO. In the auctions, available storage capacity is offered as part of gas storage parameters variously combined into resulting products offered. In the legislation, ERO only sets out the minimum framework for auction conditions, of which applicants for storage capacity must be aware before the capacity is offered. The terms and conditions of every auction, including the reserve price, are therefore fully within the SSO's competence. The SSO posts auction results on its website.

In 2023, SSOs Gas Storage CZ, s.r.o., MND Energy Storage a.s., and Moravia Gas Storage a.s. called 31 storage capacity auctions.

Storage system operators also follow an Equal Treatment Programme, the purpose of which is to provide for an equal and non-discriminatory position of all gas market participants who are using or want to use the company's services. ERO continuously monitors and evaluates the terms and conditions of auctions and compliance with the Equal Treatment Programme. No discriminatory treatment of gas market participants occurred in 2023.

5.2.1 Gas supply security standard (GSSS)

As part of its competences, ERO monitors and evaluates adherence to the security standard for gas supply in the Czech Republic (GSSS). In its Monthly Reports, ERO also pursues one of its key priorities: identify all factors that might stand in the way of ensuring secure and reliable gas supply to final customers. Under the applicable legislation, all gas traders send information concerning their obligation to provide for GSSS to ERO before every winter season. On 31 December 2023, of all the licensed entities 124 gas traders provided for GSSS for their own operation or for some other gas traders.

In 2023, GSSS was provided for January to March and October to December. According to the information in the monthly returns received by ERO, GSSS was ensured for the whole heating season, including the at least 30% of gas stored in storage facilities in the EU. Most gas traders supplied a confirmation that they had another gas market participant providing for their GSSS. This means in practice that one trader provides GSSS for several other traders, including through gas storage for 30% of GSSS. A detailed analysis of each of the gas storage facilities has shown that despite indications to the contrary, the use of gas storage facilities is not changing, and they are being used in the traditional manner (injection in summer and withdrawal in winter). However, compared with the past, injection in summer is less even and depends on gas prices at exchanges. Before the winter season, storage facilities in the Czech Republic contained approximately 3.5 bcm of gas, i.e. 37.8 TWh, which currently accounts for 46% of yearly gas consumption and for 73% of gas consumption in the heating season in the Czech Republic. The gas covered by GSSS is sufficient for companies to ensure gas supply to customers in the event of emergencies.

According to data from gas traders and gas producers, by 1 December 2023, GSSS had been in place for the following cases in the following quantities:

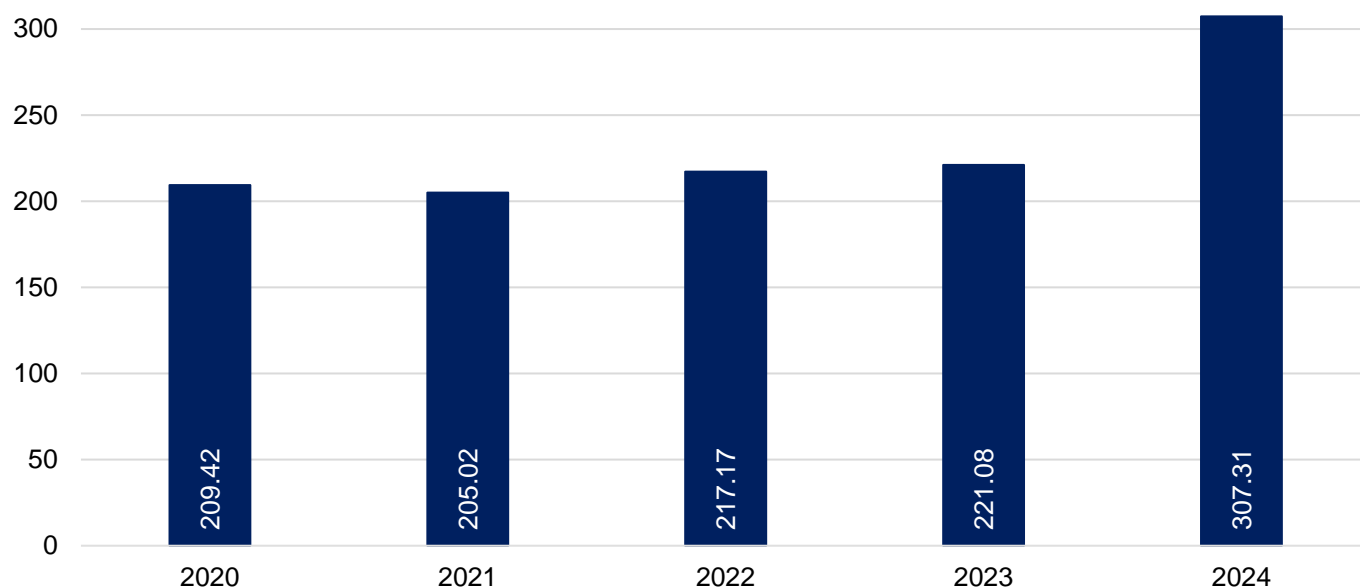
- /// in the event of a seven-day temperature peak: 367,502 MWh,
- /// in the event of at least 30 days of exceptionally high demand for gas: 9,090,426 MWh,
- /// in the event of an at least 30-day disruption of the single largest gas infrastructure: 7,234,123 MWh.

5.3 Price controls – network and LNG tariffs for connection and access

ERO issued Price Decision 1/2023 of 2 June 2023 on regulated prices related to gas supply, laying down the charge for the gas transmission service for cross-border points of the transmission system and the conditions for applying them in 2024. It also issued Price Decision 4/2023 of 29 November 2023 on regulated prices related to gas supply, laying down all regulated prices for 2024, with the exception of the charge for the gas transmission service for cross-border points of the transmission system and the conditions for applying them.

The average total regulated component of the price (the distribution system service charge, including the gas transmission service, and the clearing charge, including the fee for ERO's activities) is now 39% higher than in 2023. The main reasons for the increase in the average total regulated prices included the end of subsidies from the national budget, which in 2023 met most of the costs of covering technical losses in systems, inflation, declining consumption, as well as the change, i.e. drop in the gas flow across the Czech Republic in the wake of Russia's invasion of Ukraine. ERO leveraged all of its legal options to set the regulated component of gas supply prices in its price decisions for 2024 so that the regulated prices would continue to meet economically justifiable costs of ensuring the reliable, safe and effective operation of networks while minimising their increase as much as possible.

Chart 16 Year-on-year comparison of the average total regulated component of the gas supply price (distribution, transmission, market operator) [CZK/MWh]

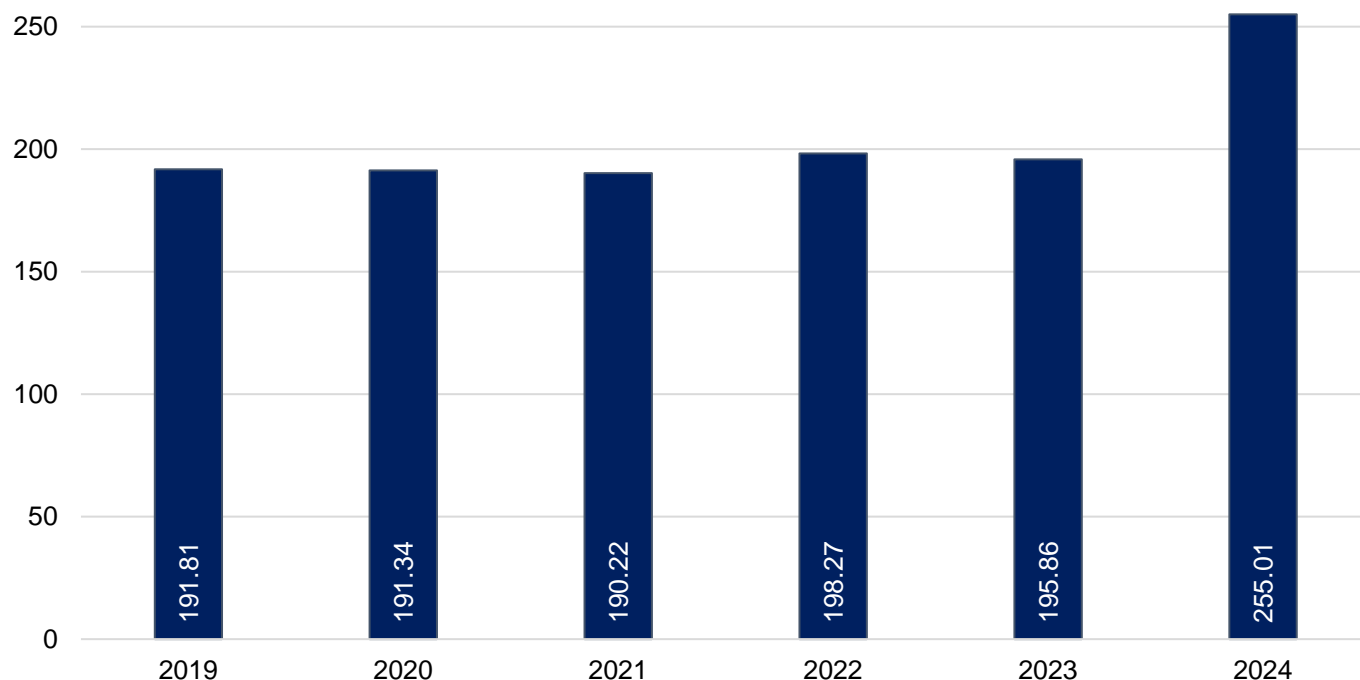


Year-on-year change	2024/2023
Average total regulated component of the gas supply price	39.1%

Source: ERO

Note: The charge for the market operator's clearing includes a fee under Section 17d of the Energy Act.

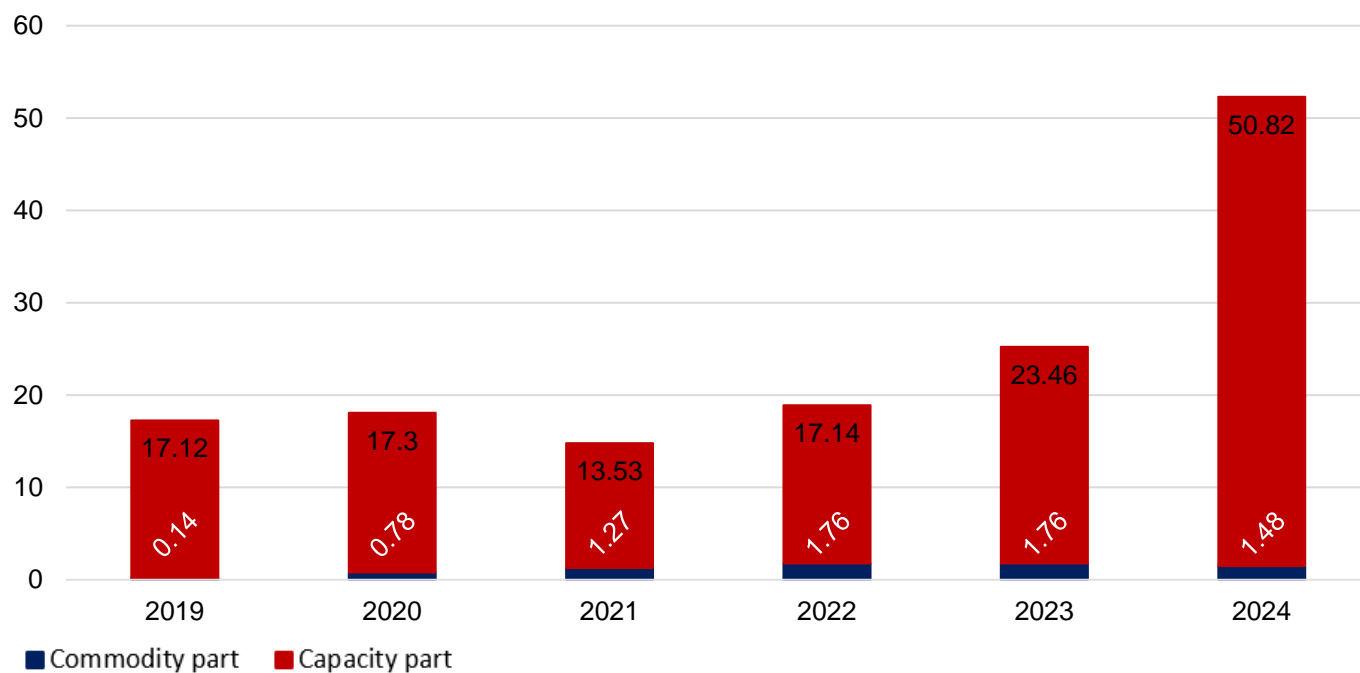
Chart 17 Year-on-year comparison of the average charge for distribution system services for all customer categories in the Czech Republic [CZK/MWh]



Year-on-year change	2024/2023
Average charge for distribution system services	30.2%

Source: ERO

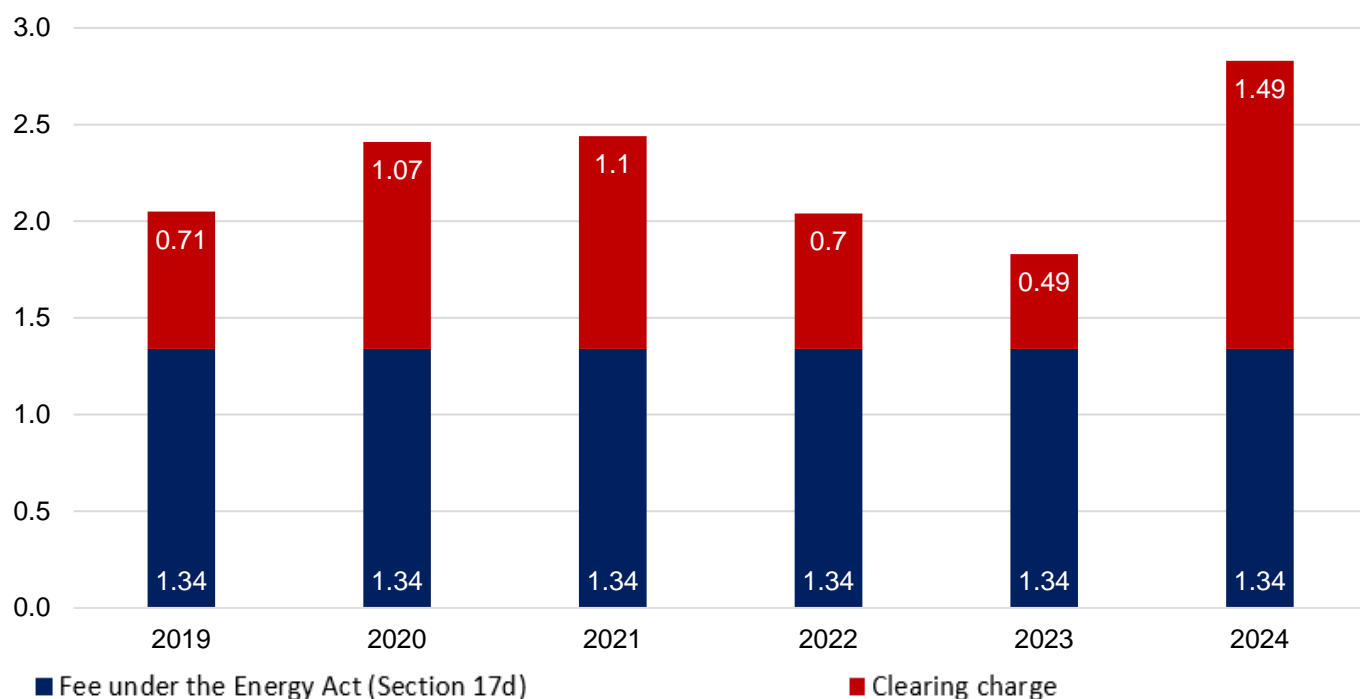
Chart 18 Year-on-year comparison of the average charge for the gas transmission service for customers connected to distribution systems [CZK/MWh]



Year-on-year change	2024/2023
Charge for the service of gas transmission to the domestic point	107.4%

Source: ERO

Chart 19 Year-on-year comparison of the clearing charge incl. the ERO activity fee [CZK/MWh]



Year-on-year change	2024/2023
Charge for clearing, including the fee under Section 17d of the Energy Act	54.6%

Source: ERO

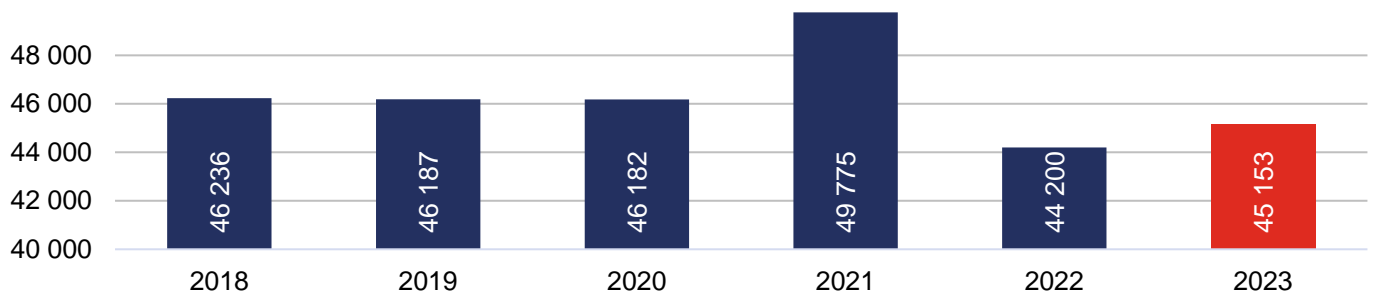
ERO did not apply any special tariffs for LNG in the Czech Republic in 2023.

6 THE HEAT SUPPLY INDUSTRY

Many diverse entities, which are subject to regulation via cost-plus pricing, supply thermal energy (heat and cooling; also referred to as 'heat') in the Czech Republic. For heat suppliers, ERO therefore lays down the rules for calculating and agreeing on thermal energy prices. The rules allow the heat supplier to reflect the 'economically justified' [eligible] costs that it necessarily incurs in heat production and/or distribution, reasonable profit, and the value-added tax (VAT), in its price. Prices lower than the limit price are exempted from cost-plus pricing. For 2023, the limit price had been set at CZK 155.61/GJ excl. VAT, as for 2022.

ERO receives data on prices from the entities through regulatory returns; the data include calculations of preliminary prices and subsequently the resulting prices for the relevant calendar year. Data from these returns are subject to further verification, and ERO therefore has information about heat prices with a certain delay.

Chart 20 Heat supply to end consumers [thousands GJ]



Source: ERO

Note: The expected value is shown for 2023.

6.1 Consumption, prices and share of fuels in thermal energy production

Consumption in the heat supply industry heavily depends on the weather, and yet has been relatively stable in recent years, except for 2021 when a colder winter could be felt. End consumers' effort to cut heat costs were very visible in consumption in 2022. Thermal energy consumption in 2023 can be expected to be lower again owing to energy savings, although primarily the end of the 2022/2023 heating season was colder than in the preceding years.

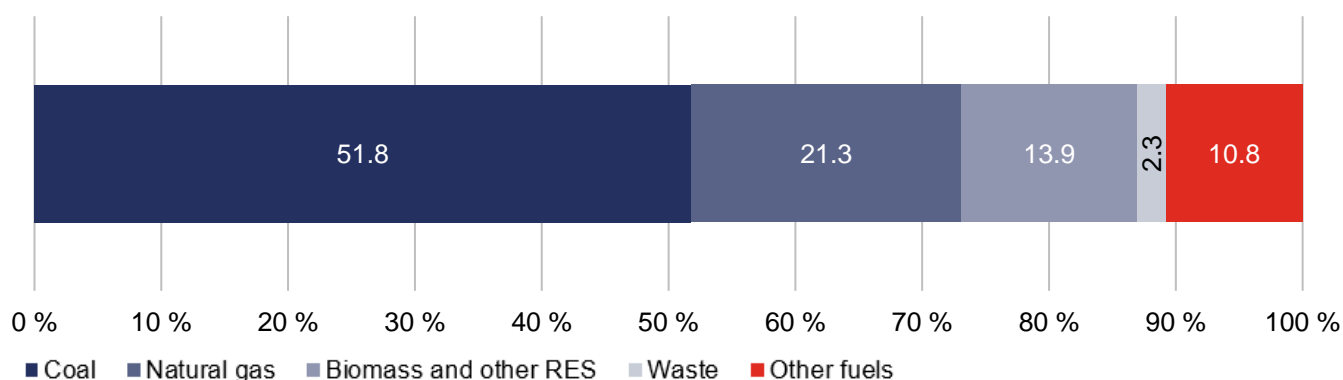
In 2023 again, the Czech heat supply industry was heavily impacted by the extreme development of energy prices at wholesale markets, starting as early as 2H 2021. The most visible and rapid change could be seen in prices of heat from natural gas. However, price hikes could progressively be seen for heat from other fuels such as coal, biomass etc. With a view to analysing the impacts of energy market prices on heat prices and mapping the development of thermal energy prices across the country in 2022 and 2023, ERO monitored heat prices by month for natural gas, coal, biomass, and other RES as fuels.

Government Order 298/2022, which capped natural gas prices for 2023 and allowed heat suppliers to buy natural gas for thermal energy production at no more than CZK 2,500/MWh without VAT (i.e. the commodity price) also influenced the prices of heat produced from natural gas in 2023.

The rapidly and extremely changing prices of fuels were reflected in heat prices in very different ways and with different lags. The contract terms and conditions agreed with fuel suppliers and their ability to comply also played a role in the heat price hikes besides the share taken by the particular fuel in heat production. For example, as regards natural gas: some heat suppliers had natural gas prices for 2022 and 2023 fixed at the pre-crisis levels and their natural gas suppliers did not collapse or curtail natural gas supply, and so, unlike some other heat suppliers, they did not have to change their thermal energy prices in those years. Some heat suppliers sought to replace their fuels for thermal energy production with cheaper fuels as much as possible, others did not pass through increased costs into heat prices in full, etc. ERO's data suggest that in 2022, the heat supply industry ended the year in the red, probably for the first time ever, the loss standing at approximately CZK 2.67/GJ on average.

Fuels' shares in heat production over the years show the dynamics of the changes in the energy mix. Coal retained its largest share, although it is gradually losing its dominant position because of the transition to low-emission fuels. Following the decline since 2018, when in 2021 coal's share was less than 50%, specifically 47.9%, 2022 and 2023 clearly show its rise again due to the energy crisis and the maximum effort to use fuels cheaper than natural gas in heat production. In the case of natural gas the environmental considerations can also be felt, including the effect of the energy crisis: the largest share of natural gas in thermal energy production can be seen in 2021 (24.8%), but its share contracted in 2023 because of its high price. The share of biomass and other RES in heat production has been expanding over the years and not only because they are clean fuels but also thanks to their prices. In the light of the gradually stabilising situation in the energy markets, for 2024 and beyond a return to the decline of heat production from, in particular, coal and an increasing proportion of low-emission fuels due to the Czech heat supply industry's continuing transition to green energy can be expected.

Chart 21 Shares of fuels in heat production on 1 January 2023 [%]



Source: ERO

As regards prices of heat produced from natural gas, many producers were compelled to change their prices quite a few times during the year; it was one third of the whole market. As in the preceding year, January 2023 saw another year-on-year surge in prices of heat from natural gas. But average prices of thermal energy were continuously slightly declining in correlation with the decreasing natural gas prices at wholesale markets during the year. This decline started from a high price level and so at the end of 2023, average prices were still very much above the 2021 average. On the other hand, the gradual decline of the prices may also be due to the industry returning to the black.

Compared with 2021, the spread between the various price localities is expanding, showing marked extremes (the lowest and highest prices in 2023 were CZK 127.67/GJ and CZK 3,457.40/GJ respectively). The expanding price spread is visible in the prices of heat produced from all fuels.

In the case of heat from coal, suppliers reflected their increased costs of coal and emission allowances in thermal energy prices during the energy crisis also with different lags. However, here we can see their greater effort to maintain price stability during the calendar year than in respect of heat produced from natural gas, and so the material change in the price of heat from coal is only apparent as of 1 January of the calendar year. The greater stability of prices is also attributable to coal prices rising less than those of natural gas and lower volatility over the year, in particular in 2023 when only two price localities experienced price changes during the year.

The largest number of changes in the price of heat produced from biomass and other RES was spread over the year, largely in the second half of 2022. As in the case of heat from coal, 2023 is marked by a relative price stability throughout the year for heat from biomass and other RES. Only approximately 1% of the market, representing five of a total of 186 price localities, experienced changes in prices.

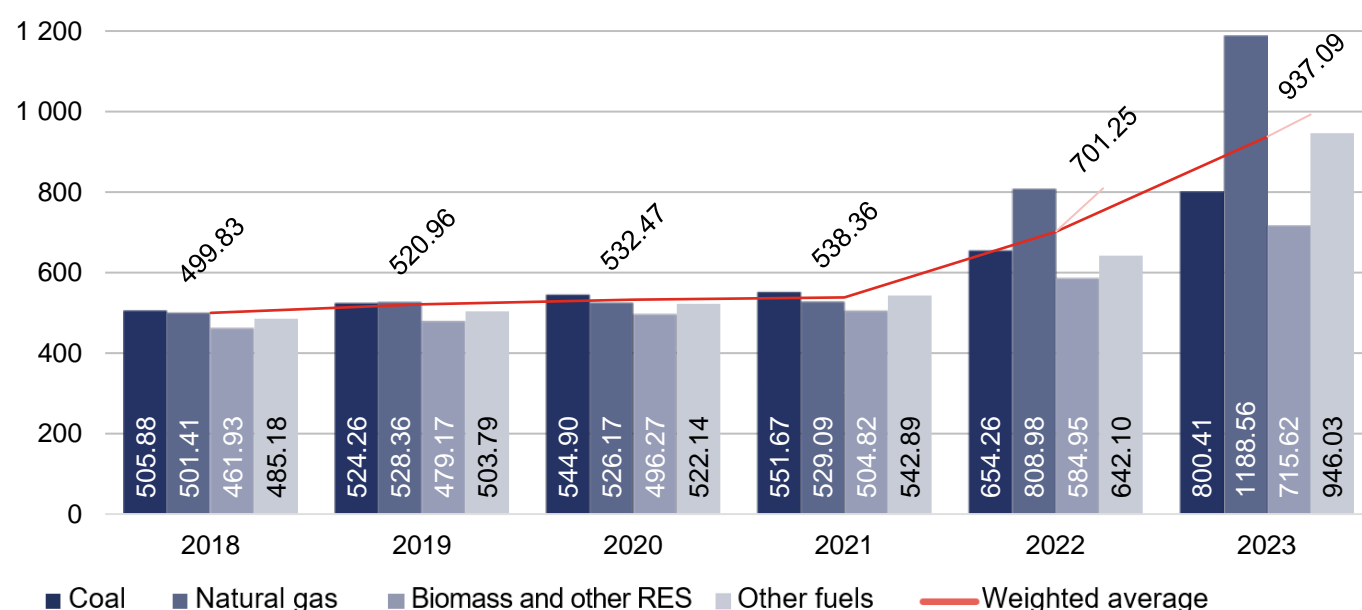
Table 3 Average preliminary thermal energy prices for end consumers, including the percentage change [CZK/GJ] (w/o VAT)

	Preliminary price for 2023 [CZK/GJ]	Percentage change 2023/2022 [%]
Coal	800.41	22.34
Natural gas	1,188.56	46.92
Biomass and other RES	715.62	22.34
Other fuels	946.03	47.33
Weighted average	937.09	33.63

Source: ERO

Note: Other fuels include, in particular, waste, and also fuel oils, electrical energy, etc.

Chart 22 Average heat prices for end consumers [CZK/GJ] (w/o VAT)



Source: ERO

Note: The expected value is shown for 2023.

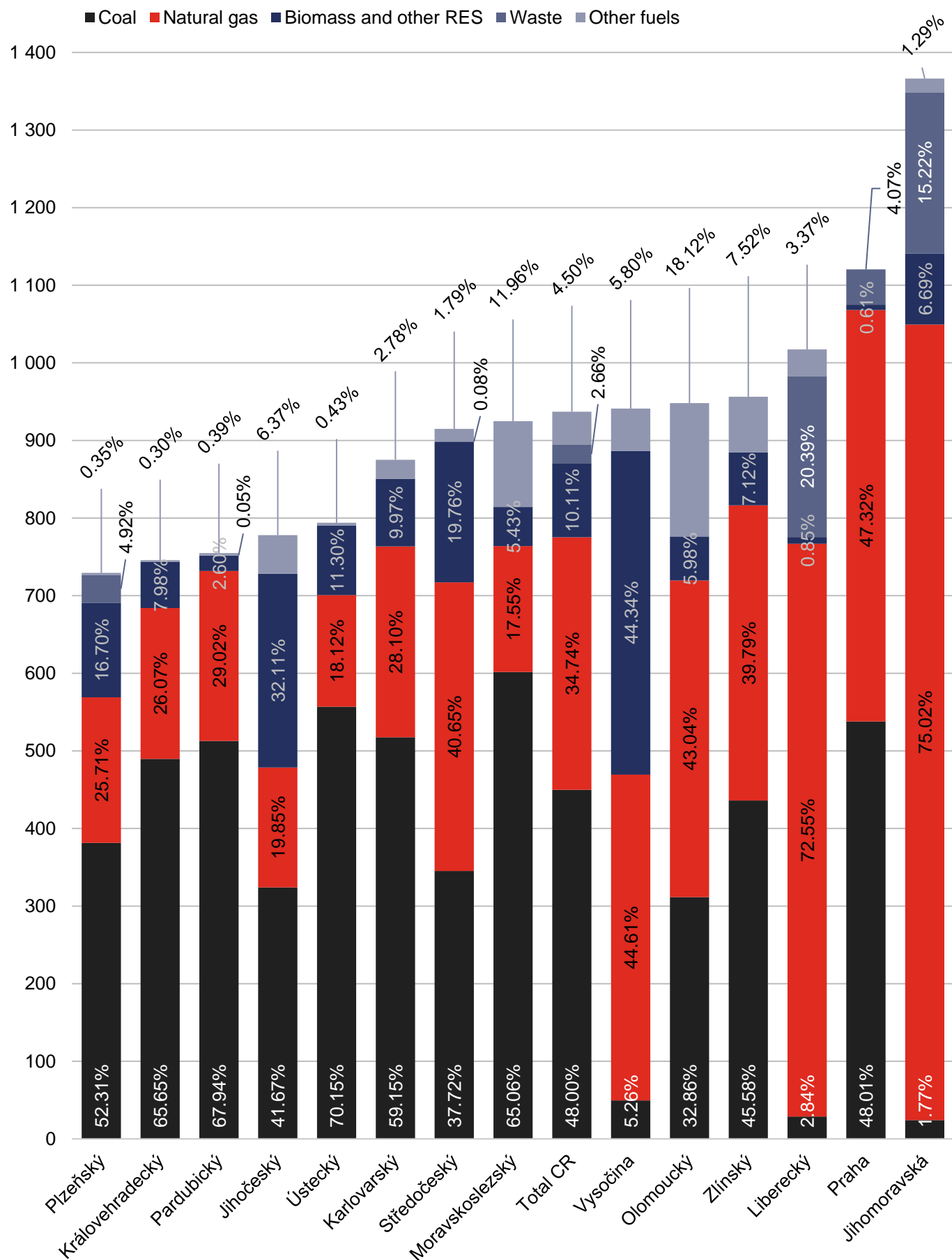
6.2 Prices by the fuel mix in each of the Regions

The differences in average heat prices between Regions started to grow significantly in 2022; until then, they were at relatively comparable levels. The reason is the changing mix of the shares of fuels from which heat is produced in each Region and differently rising prices of heat produced from those fuels.

Between 2022 and 2023, prices surged the most in Jihomoravský Region (almost 59%), which has the largest share of heat from natural gas. For 2023, it is also the Region with the highest average heat price. Prices increased the least (slightly over 13%) in Pardubický Region with its high percentage of heat from coal. Coal contributing more than one half to heat production, Plzeňský Region had the lowest heat price.

However, there should be no generalisation that the largest price hikes took place in Regions with the largest share of heat from expensive natural gas and the smallest price hikes in Regions with the largest share of less expensive coal. For example, with its largest surge in the average heat price in 2023, Jihomoravský Region also had the largest share of natural gas in heat production, with a certain portion of production from waste. Liberecký Region has a similar percentage, but the heat price did not rise so markedly (only 27%). On the contrary, with its largest share of heat from coal and some heat production from natural gas and biomass, Ústecký Region did not experience the lowest price hike. The latter was seen in Pardubický Region with a slightly smaller share of coal but a markedly larger share of natural gas.

Chart 23 Average preliminary heat prices [CZK/GJ] (w/o VAT) for end consumers, showing the percentages of fuels [%]



Source: ERO

7 RENEWABLE AND SUPPORTED ENERGY SOURCES

7.1 State aid

In 2023, ERO promulgated five price decisions on SES.

To lay down the amount of operating aid it was key to complete the legislative process for amending the public notice on technical and economic parameters (79/2022, amendment 275/2023), which was promulgated in *Sbírka zákonů a mezinárodních smluv (Official Gazette of Laws and International Treaties)* on 14 September 2023 (see 9.1.1.1), before issuing the price decision. In particular, the unit capex costs for all SES were raised while fuel procurement costs in the case of biomass, biogas and biomethane were increased significantly. Outcomes from extensive data collection at the end of 2022 and the beginning of 2023 were the inputs for increasing the fuel costs.

Electricity prices were slowly declining during 2023, but still stayed at a level that caused a decline in green premiums for 2024 compared with 2022.

For 2024, standard Price Decision 3/2023 of 27 September 2023 laid down the amount of operating aid for new or modernised power generating facilities and for new and existing renewable heat production plants (sustaining aid for heat), operating aid for which had been declared compatible with the EU's internal market under the GBER or, for new biomass-based heat production plants, also under the new notification of approval for renewable heat support.

Responding to new notifications concerning aid to heat from RES and to biomethane and also further to MIT's sectoral survey and information received under Section 32(3) of the SES Act, ERO released two extraordinary price decisions. Price Decision 7/2023 of 28 December 2023, amending Price Decision 11/2022, added for 2023 the newly notified approval for aid to new biomass-based heat production plants and for new biomethane plants commissioned in 2023. Price Decision 8/2023 of 28 December 2023, amending Price Decision 3/2023, added the newly notified approval for biomethane aid for 2024; another addition was the new amount of aid for facilities for power generation from mine gas from 2012 with an identified risk of overcompensation (according to the report on the results of the sectoral survey for power plants commissioned during 2012).

Price Decision 2/2023 of 27 September 2023, which lays down the charge for the mandatory buyer's activities and the charges related to the guarantees of origin, was amended just before the end of 2023 (see 4.2). Renewable electricity generators' significant switchover to feed-in tariffs for 2024 necessitated a reduction in the costs of the mandatory buyer's activities via Price Decision 9/2023 of 28 December 2023 amending Price Decision 2/2023.

ERO issued all price decisions on operating aid in compliance with Government Order 189/2022 on the specification of SES development, also referred to as the 'activation order'.

7.1.1 Notification procedures; drafting of implementing acts

Throughout the year, ERO worked with MIT to finalise the notification procedures for new operating aid schemes, primarily in the formulation of the Czech Republic's responses to the Commission's questions on notification forms.

ERO also worked with MIT on an update of the Government Order on the specification of SES development; however, this legislative process had not been completed by the end of the year. ERO significantly contributed to suggestions related to proposals for additional amendments to the SES, *Lex RES I* and *Lex RES II* (most notably in respect of the guarantees of origin and sustainability criteria). Besides that, ERO joined the process of operating aid setting via auctions of MIT's calls for renewable electricity tenders (cooperation to set the maximum prices).

Two notification procedures covering the three-year aid scheme 2023 to 2025 were finalised during the year. Notification SA.104685 (2022/N) of 21 April 2023 *Support of heat from renewable energy sources with an output above 500 kW* and notification SA.104686 (2023/N) of 31 October 2023 *Aid for the production of biomethane*.

In the case of aid for electricity from high-efficiency combined heat and power generation (CHP) before the summer of 2023, the pre-notification contacts with the Commission materialised into a formal notification procedure. The Commission requested additional information before the end of the year, and so the notification procedure had not been completed by the end of 2023.

7.2 RES development in the Czech Republic

RES development in the Czech Republic was again significantly influenced by pursuing the objectives of the Commission's strategic plans in 2023. The pace, set in previous years, of state aid for RES development continued, which was very visible in the number of newly connected power generating facilities. To a considerable extent, this situation was also attributable to the amendments to the Energy Act and the SES Act. In particular the Energy Act has made the options to connect a generating facility at the customer's supply point for the customer's own consumption (without a licence) more accessible, having raised the installed capacity ceiling from 10 kW to 50 kW.

Connection of new plants to the network

The trend from earlier years, when additional significant growth in newly connected power generating facilities took place, continued in 2023. ČEZ Distribuce's, EG.D's and PREdistribuce's distribution areas experienced the largest number of connection requests at the LV level, mostly up to 10 kW plants. They were largely plants installed at customers' supply points (specifically PV systems). At the end of the year, more than 80,000 power generating facilities were connected (the figure covers all voltage levels) with a total installed capacity of more than 1 GW. This is also a reason for the growing generation of renewable electricity, which now accounts for a record 14.5% of total annual generation. This percentage is set to rise in the coming years because at the end of 2023, the above distributors had contracts in place for almost 13 GW of requested installed capacity (more than 111,000 connection contracts in place), which is expected to be connected in 2024 and 2025.

Flexibility and energy sharing

ERO worked hard to develop the future electricity sharing model reflecting the relevant legislation. The work on the Czech sharing model took place in very close cooperation with the market participants. As part of these activities the key points for proposed amendments to public notices were formulated, specifically those on Electricity Market Rules, on the particulars and structure of regulatory returns, and on the billing of supply (207/2021). ERO also took part in ACER's working group that was drafting a proposal for a legislative act laying down the rules for demand response. The proposal sets out the future conditions for designing models of using flexibility at the national level.

Energy communities

2023 was also the year for starting the development of energy communities, i.e. associations of citizens, small businesses or local organisations that generate, consume and share energy from RES. The model is expected to benefit not only the environment but also local economies and social cohesion. Energy communities support local energy production and reduce dependence on energy companies, thus actually contributing to decentralised production.

Acceleration zones for wind power plants

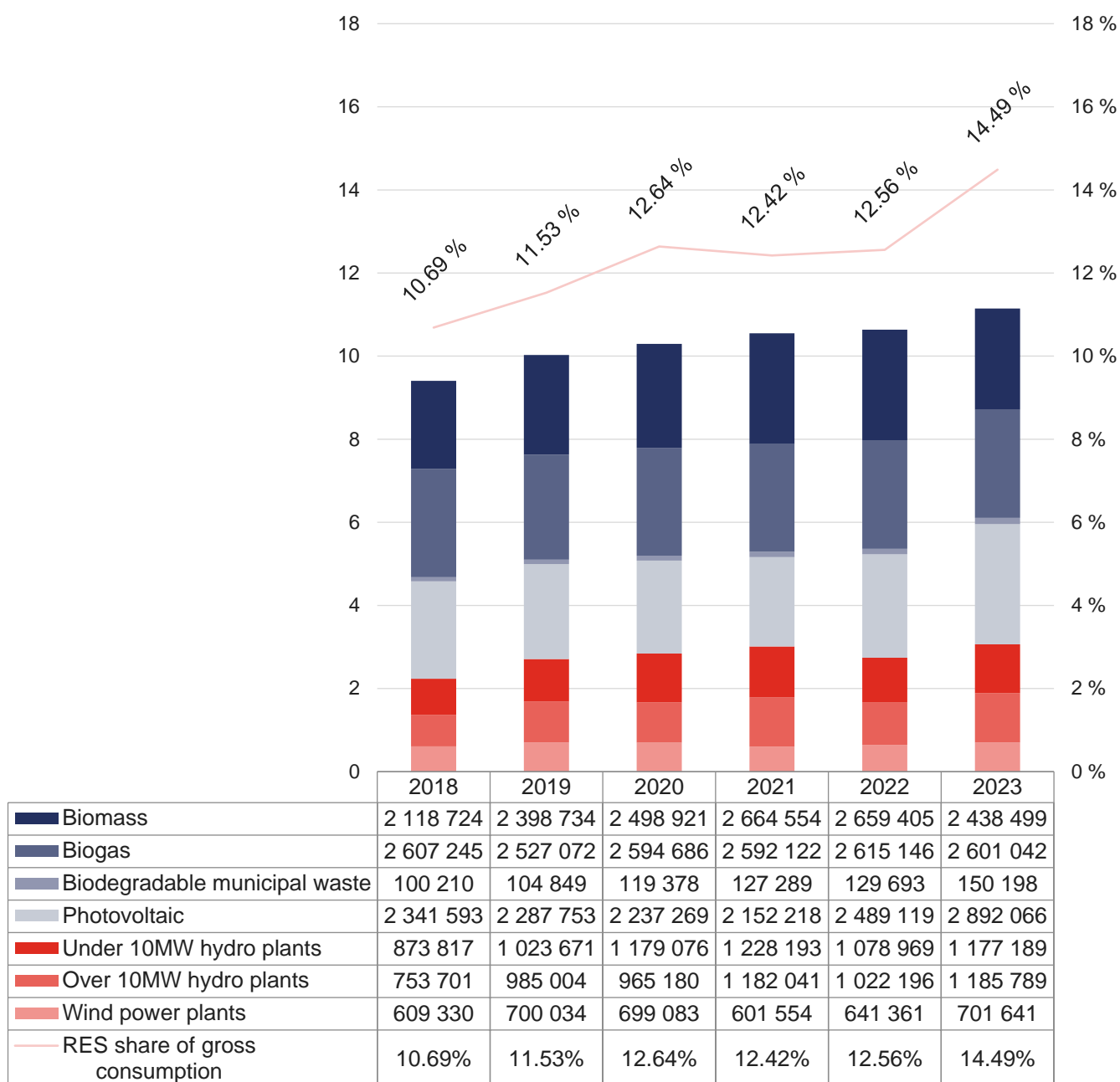
One of the key initiatives in 2023 was designing acceleration zones for wind power plants, prepared primarily by MoE and MIT. These zones are being designed on the basis of their suitability for RES installations, including PV, in addition to wind plants with a view to expediting the approval and connection process.

Digitalisation in energy

Digitalisation has become an integral part of the energy sector's modernisation. ERO promoted projects for the rollout of smart networks that improve energy flow monitoring and control in real time. Digitalisation has also brought new opportunities for consumers who now can, to a certain extent, better monitor and optimise their energy consumption via smart meters and apps.

The year 2023 has shown that energy transition to renewables is not only feasible but also necessary. ERO has pledged to continue its support for these trends and create conditions for the energy sector's sustainable development.

Chart 24 Gross electricity generation from RES [MWh] and its share of the country's gross generation [%]



Source: ERO

7.2.2 International activities in renewables

As regards international cooperation, in RES the most important working group is CEER's Renewables Work Stream (RES WS), operating under CEWG Electricity Working Group. In 2023, the group released *CEER Report on Tendering Procedures for RES in Europe* offering a comprehensive picture and current situation in RES auctions in each of the member states. The second half of 2023 saw the release of *Status Review of Renewable Support Schemes in Europe for 2020 and 2021*. This report mainly covers operating aid for renewable electricity, and only marginally aid for other commodities (e.g. aid for heat from RES). In the autumn of 2023, work was started on *CEER's High Market Prices Report* and *CEER's RES Support Systems* by way of data collection for these reports.

ERO pursues additional international activities in ERRA's working group on RES (Renewable Energy Committee), which released *Report on the Implementation of the Guarantees of Origin Systems*, to the preparation of which ERO contributed significantly. The purpose of this report was mapping the existence of GO schemes for electricity, gas, hydrogen, and heat or cooling in each member country and providing a rough overview and idea of whether and to what extent each member state had a system of GO or some other system in place to track energy from production to consumption, the types of technologies and energies for which GO are issued, whether and how national regulators and stakeholder organisations were involved in the system, how disclosure was approached, who was the issuing institution, how to trade in GO and, how the issuance of GO for supported energy was approached, whether disclosure rules and control mechanisms were in place and, last but not least, what the benefits were for final consumers.

8 SCIENCE, RESEARCH, COOPERATION WITH THE ACADEMIA, AND SOME INTERNATIONAL ACTIVITIES

8.1 Activities in RDI

In 2023, ERO continued to be active in the research, development and innovation (RDI) programmes of Technology Agency of the Czech Republic (TA CR).

Under the THETA programme, projects that had competed for support in the fifth public competition of the programme were launched; in this respect, ERO examined nine specific applications for support of proposed projects targeting the priority research objectives prepared by ERO. The following projects succeeded and were supported in the assessment process:

- TK05010088: *Determinants of relationships between wholesale and retail energy prices*; investigator: a team at Brno University of Technology
- TK05010177: *Advanced DataScience tools for the regulator's needs (DS4Reg)*; investigator: a team at Western Bohemian University in Plzeň

The above projects started their investigation in the first half of the year. ERO opened systematic cooperation and regular consultations with the two investigating teams with a view to maximising the benefit and resulting applicability of the project deliverables that ERO would implement.

The year saw the successful completion of two projects supported in the fourth public competition under THETA, which focused on local and community energy. Specifically, MIT was also involved in the role of the application guarantor in addition to ERO in these projects:

- TK04010028: *Impacts of community energy on the environment of energy markets and networks*
- TK04010229: *Comprehensive environment for the development of energy communities – proposal for legislative, organisational, and incentivising measures to eliminate barriers to development*

The above projects completed their investigation on 31 December 2023. In connection with these projects, the end of the year was therefore dedicated to completion work and the finalisation and delivery of all results and the determination of their subsequent utilisation at ERO and in other working groups.¹²

The THETA 2 programme, systematically following up on THETA, was launched in 2023. Under THETA 2, ERO helps to prepare priority research objectives and plays the role of the application guarantor for the relevant projects. ERO prepared three research topics for the first public competition:

- 1.2.1 *Methodological framework for modelling production from intermittent renewables in the context of the Czech Republic's energy balance*
- 1.2.2 *Development of analytical and methodological tools for assessing extreme climate phenomena and their impacts on the evaluation of the quality and continuity of energy supply*
- 1.2.3 *Research and development of measures for the effective setting of technical parameters of and the legislative framework for alternative (flexible) connection of generating plants to the distribution network*

In the first public competition under THETA 2, ERO received seven requests to accept the role of the application guarantor and one specific request to provide project backing by a Letter of Intent. ERO granted the request and accepted the role of the application guarantor in four projects and accepted the request for backing. The evaluation process will run until the first half of 2024.

In 2023, BETA 2 meant work in running projects and launch of new projects for ERO. Under the *TIRDERU104 Comprehensive innovation of the tariff structure in the electricity industry* project, a 'mini tendering procedure' (individual contract) was successfully completed; it focused on analysing the operation and development of local distribution systems (LDS). The *TITIERU914 System for processing, analysing, and evaluating ERO statistical data* project was successfully completed in 2023 and the developed system (ERO Data Portal [*Dataportál ERÚ*]) has been deployed in the production environment.

¹² The deliverables of all the completed projects are available on [ERO website](#) in the section Science and Research (*Věda a výzkum*).

This marked the end of the active investigation of the project under BETA 2. The formal acceptance, implementation, and further evolution of the developed solution, already owned by ERO, will follow.

Under BETA 2, the *TIRSERU226 Development of a tool for the national monitoring of the wholesale energy market* and the *TITSERU307 Development of an innovative platform for comparing energy suppliers' quotations* projects were launched. In 2023, both projects started a contract award procedure by way of a competitive dialogue to find the best method for implementing the public contract. Thus, a VŠB-TU Ostrava team started to implement the TIRSERU226 project on 1 December 2023. In TITSERU307, the winner was a consortium of EGÚ Brno, a.s. and BiQ pux, a.s. The implementation of the project will start on 1 March 2024.

In addition to the above, ERO monitors the activities of some other national and international programmes, such as *Horizon Europe*, *LIFE* and *CETPartnership*. ERO also granted formal backing through a Letter of Intent to additional projects vying for support across the range of programmes. The focus of the supported projects is very broad in general, and concerns areas related to ERO's activities.

The implementation of all of the above projects will help ERO to modernise and improve its performance in price and technical regulation, reflecting the current and future trends spawned by energy transition, and to boost its abilities for monitoring wholesale and retail energy markets. ERO cooperates with other relevant bodies of state administration (in particular, MIT, MoE, Ministry of Regional Development, etc.) on the above projects and strategic development issues.

8.2 Cooperation with universities

ERO followed up on the burgeoning activities in its cooperation with higher education institutions in the Czech Republic. 2023 was the first year when ERO grasped academic cooperation comprehensively and incorporated it in its activity plan with a view to promoting each of the individual areas harmonically to bring benefits to the academic environment and for developing and enriching its own agenda. Cooperation is running in the following directions:

- ! Lectures for students and teachers in selected degree programmes
- ! Preparation, assignment, consultation and evaluation of final qualification theses
- ! Student internships at ERO
- ! Technical project cooperation

While the last point entails a profession-specific technical activity that was described in the preceding subchapter, the first three points directly concern the education and training of students for future vocations.

In 2023, ERO specialists delivered ten lectures at eight universities in the Czech Republic; they outlined ERO's competences and methods of regulation in energy industries for the students. A positive aspect is that the lectures were organised at both engineering and humanities schools, documenting the required multidisciplinary approach to ERO's agenda, and were generally viewed as beneficial for the future.

In respect of final qualification (i.e. semestral, bachelor or diploma) theses, ERO offers the option of treating its in-house topics for students' assignments. They are usually issues of peripheral or emerging challenges related to ERO's statutory duties in regulation, market monitoring or consumer protection. Thus, through their treatment of the topic the students have an opportunity to start their cooperation with ERO and so gain insight into the role of the national regulator in energy industries. In 2023, students successfully defended two diploma theses assigned by and consulted with ERO. In addition, another three diploma theses initiated by ERO were being written.

In response to the many questions that were asked at the lectures and concerned professional interests during enrolment, the students were given opportunities for internships directly at ERO. Students have the opportunity to approach ERO with applications for internships through the school at which they are enrolled or on their own using the contact form on ERO's website. Internship helps the students to gain practical knowledge from a public administration body, and also to gain some points (if the school requires internships), and it will help ERO with personnel capacities, supporting effective completion of ERO's structure and scheduled positions. In 2023, seven students joined ERO for their internship; they worked in all specialised sections. In general, the completed internships met the expectations of both parties: ERO's specialised units and the students themselves.

8.3 International activities

In the international organisations ACER, CEER and ERRA, ERO is involved in electricity and gas, REMIT, RES, consumer protection, and retail working groups, while two ERO representatives were also co-chairs of two CEER working groups and a co-chair of an ACER working group. ERO also has an active representation in the post of a Vice President of CEER Board of Directors. Thus, the Czech Republic has a strong mandate in discussions of the future of the common European energy policy on various platforms in the EU. ERO representatives had an opportunity to take part in analyses of the impacts of legislative proposals. ERO also continuously consulted its positions with the V4 countries' regulators.

ERO also cooperates with the above international organisations in education. ERO staff members attended three specialised training courses on a CEER platform. Reciprocally, thanks to active cooperation with CEER, ERO staff members taught in two training courses in 2023.

As part of its activities in international working groups, ERO joined a number of international meetings, most of which followed the model from the earlier covid period, i.e. videoconferencing or hybrid formats. Nevertheless, due to the rising number of meetings in person, 39 business trips abroad took place (financing see point 10.1.4).

Important cooperation also continues to be under way through CEER's EPU (European Policy Unit), in which an ERO representative serves as a co-chair and which is in charge of fully promoting regulators' positions vis-à-vis EU institutions. In 2023, CEER joined the Commission's two consultations on the forthcoming EU energy legislation. In addition, ERO also proactively contributed to the monitoring and analysing of the then debated EU legislation (Revision of EMD, REMIT, Decarbonisation Package) and the impacts of adopted legislation on the activities of regulatory authorities (AFIR, EED, RED).

ERO was also actively involved in ERRA's Energy Transition Task Force.

9 LEGISLATIVE AND ADMINISTRATIVE ACTIVITIES

9.1 Legislative activities

9.1.1 Changes to laws and regulations within ERO's competence

Two amendments to ERO public notices and a part of a third amendment whose legislative process had taken place in 2022 came into effect in 2023¹³:

- Public notice 404/2022 amending 408/2015 on Electricity Market Rules, as amended, came into effect on 1 January 2023, with the exception of selected provisions that came into effect on 1 May 2023 and selected provisions that came into effect on 1 July 2023
- Public notice 405/2022 amending 349/2015 on Gas Market Rules, as amended, came into effect on 1 January 2023
- On 1 January 2023 came into effect a part of public notice 223/2022 amending 349/2015 on Gas Market Rules, as amended, which sets out the rules for assessing the feasibility of gas transmission, distribution and storage renomination

Legislative work on four public notices was under way in 2023.

9.1.1.1 Public notice 275/2023 amending 79/2022 on the technical and economic parameters for determining reference feed-in tariffs and green premiums and on the implementation of certain other provisions of the law on supported energy sources (public notice on technical and economic parameters)

This statutory instrument was drawn up under ERO's authorisation in Section 53(2)(a), (b) and (l) of the SES Act. Through it, ERO carried out a regular update of the technical and economic parameters based on the current situation in the SES market. ERO also adjusted the scope of the parameters specified in the public notice in connection with the amendment to the SES Act (amending Act No 19/2023). In updating the parameters, ERO took into account Government Order on the specification of SES development, which specifies the aid schemes for which operating aid should be set out in the price decision for the relevant years. The values of the parameters related to the construction of new electricity, heat, and biomethane production plants and to the modernisation of power generating facilities were increased as from 2024, and separate technical and economic parameters were put in place for biomethane production plants resulting from the conversion of biogas-based power generating facilities both for 2023 and 2024. Responding to the amendment to the SES Act, the public notice extended the existing parameters – the fuel costs concerning biomass used not only in the clean combustion process, and newly also in the process of energy reuse (burning) of unsorted mixed municipal waste, specifically the costs of its biologically degradable part, and it also adjusted the scope of the parameters for secondary sources, mine gas. It also newly laid down the service life and parameters only for the operating aid schemes specified as supported in Government Order on SES development. The SES parameters that are not usable in price controls were therefore omitted.

The public notice was approved by ERO Board on 5 September 2023 and promulgated in the Official Gazette on 14 September 2023. It came into effect on 1 January 2024, with the exception of the provisions that had come into effect on the day following the promulgation.

9.1.1.2 Public notice 4/2024 amending 404/2016 on the particulars and structure of the returns required for preparing reports on the operation of systems in the energy industries, including the dates, scope, and rules for preparing the returns (the 'statistics public notice'), as amended in 154/2018

This statutory instrument was drawn up under ERO's authorisation in Section 98a(2)(m) of the Energy Act, which requires ERO to lay down the particulars and structure of the returns required for preparing reports

¹³ More details in last year's Combined Publication on [ERO website](#)

on the operation of systems in the energy industries, including the dates, scope, and rules for preparing the returns. This authorisation is implemented through Section 11(1)(n) of the Energy Act, which requires licence holders to supply ERO with the inputs needed for preparing quarterly and yearly reports on the operation of systems in the energy industries.

The public notice responds to the current market situation and the amendments to the Energy Act by changing the conditions for granting electricity generation licences, which is related to the increase in the installed capacity of power generating facilities from 10 kW to 50 kW in the Energy Act (Section 3(3)); also, the already unfavourable situation where certain data could not be monitored without amending the public notice had been exacerbated. In addition, the number of biomethane production plants increased and the uneven gas consumption for combined cycle plants worsened, which made it much more difficult to adjust consumption to the effect of weather, and this precipitated the need to monitor the relevant statistical data for that. The public notice has included the data on gas (biomethane) production, on gas supply to combined cycle plants and on up to 50 kW, inclusive, power generating facilities in the scope of the data returned for the purposes of releasing reports on the operation of systems in the energy industries.

The public notice was approved by ERO Board on 28 December 2023 and promulgated in the Official Gazette on 16 January 2024. It came into effect on 1 February 2024.

9.1.1.3 Public notice 5/2024 amending 349/2015 on Gas Market Rules, as amended

This statutory instrument was issued under its authorisation in Section 98a(2)(i) of the Energy Act, which requires ERO to issue a public notice laying down gas market rules. It primarily responded to the extension of its authorisation through Act No 362/2021, which had incorporated an authorisation to lay down the rules and conditions for the provision of the service of the cross-border use of gas storage facilities into point 15 of Section 98a (2)(i) of the Energy Act. It elaborates on the concept of the service of the cross-border use of gas storage facilities under the Energy Act and sets out the conditions for using the service of the cross-border use of gas storage facilities. The mainstay part of the amendment consists of clarifying the scope and format of data transmission and publication vis-à-vis the market operator and the TSO.

The public notice also amends the established UIOLI (use it or lose it) principle by lifting the upper limit of the option to withdraw unused long-term transmission capacity. It also unifies the expiration of the period of time related to gas supply interruption and termination and amends the procedures for gas storage (revision of the rules for interruptible storage capacity curtailment and addition of a legislatively defined extent of technical units in the definition of the storage capacity volume offered in auctions). The other changes include 'legislative technicalities'; for example, changes in nominations and renominations, market operator's steps for posting EIC codes in rapid supplier switching, and rules related to gas storage and imbalance settlement when preventing an emergency.

The public notice was approved by ERO Board on 28 December 2023 and promulgated in the Official Gazette on 16 January 2024. It came into effect on 1 April 2024.

9.1.1.4 Public notice 6/2024 amending 408/2015 on Electricity Market Rules, as amended, and public notice 490/2021 amending 408/2015 on Electricity Market Rules, as amended

This statutory instrument was issued under ERO's authorisation in Section 98a(2)(h) of the Energy Act and Section 53(2)(g), (h), (j) and (k) of the SES Act.

It has put in place new procedures in several areas. One is the harmonisation of the imbalance settlement systems, switching to the use of single imbalance pricing for all positive imbalances and negative imbalances under Article 52(2)(c) of Commission Regulation (EU) 2017/2195. Another area concerns the implementation of AMM (automated metering management), where the procedures have been rendered compliant with the electricity metering public notice. It also introduces elements innovating the tariff structure, which stem from the concept of interlinking the new electricity market design with requirements for changes in regulated prices and tariffs (see 2.1.1).

It also sets out the procedures for registering delivery points of power generating facilities operated in the customer mode under Section 28(5) of the Energy Act. The changes consist of the introduction of the automatic allocation of EAN, similarly as in the case of power generating facilities operated under a licence, and of the elimination of combined EAN codes. It also modifies some procedures laid down therein. These

additional changes have resulted from the continuous assessment of the practical application of the rules in the public notice, and market development.

The public notice was approved by ERO Board on 4 January 2024 and promulgated in the Official Gazette on 16 January 2024. It came into effect on the day following the day of its promulgation, i.e. on 17 January 2024, with the exception of selected provisions that came into effect on 1 July 2024 and provisions effective from 1 January 2025.

9.1.2 Amendments to laws

Three amendments to the Energy Act and an amendment to the SES Act were passed in 2023. In respect of the cabinet's bills, ERO tabled its proposals and positions, raised a number of principal and recommending comments within the inter-departmental commenting procedure, and systematically monitored the whole legislative process. The laws were the following:

Act No 19/2023 amending 458/2000 on the Conditions of Business and State Administration in Energy Industries and Amending Certain Laws (the Energy Act), as amended, and other related laws

The law, also referred to as *Lex RES I*, responds to the energy market situation and the need to address energy supply security and reduce dependence on fuel imports from Russia. The purpose of the law is to simplify RES permitting, thereby helping to meet the EU's commitments in energy and climate while ensuring energy self-sufficiency. Among other things, the law has raised from 10 kW to 50 kW the limit on the installed capacity of power generating plans required to be licensed for electricity generation in relation to running business in energy industries. The law also contains an amendment to the Building Act, intended to facilitate decision-making for planning offices and simplify the project siting approval process.

Act No 349/2023 amending certain laws in relation to public budget consolidation

The SES Act was amended within the consolidation package. The amount of the subsidy to cover the component for electricity support included in the distribution system service price and the transmission system service price, operating aid for heat, transitory transformation aid for heat and aid for biomethane ('SES aid component of the price') shall henceforth be laid down in Government Resolutions rather than Government Orders. The law also makes it possible for the cabinet to lay down, in a resolution under Section 28(3) of the SES Act, not only the actual amount of the subsidy but also the differentiation of funds allocated for the subsidy by voltage level/customer category; ERO will reflect this when setting the relevant components of the price. Once the law was passed, in its Resolution 973/2023 the cabinet laid down the amount of the subsidy to cover the 'SES aid component of the price' differentiated by voltage levels HV, MV, and LV. Further to this government resolution ERO issued its Price Decision 10/2023 amending Price Decision 5/2023 (see 4.2).

Act No 465/2023 amending 416/2009 on expediting the rollout of transport, water, energy and electronic communications infrastructure (the Lines Act), as amended, and other related laws

This law has introduced into the Energy Act, the notion of a 'strategic energy complex' as a system of critical infrastructure elements for the electricity, gas and heat supply industries under Government Order 432/2010 on the criteria for determining critical infrastructure elements. It has laid down the rules for gaining control over strategic energy complexes and the duty to offer to transfer such control to the State.

Act No 469/2023 amending 458/2000 on the Conditions of Business and State Administration in Energy Industries and Amending Certain Laws (the Energy Act), as amended, and other related laws

The law, also referred to as *Lex RES II*, responds to the currently critical energy market situation and introduces certain measures to improve energy self-sufficiency and security in the Czech Republic. It is also a partial transposition of Directive (EU) 2018/2001 and Directive (EU) 2019/944.

The law introduces the notions of energy sharing, energy community, RES community, active customer and vulnerable customer into Czech law. It also allows the formation of EDC.

Lex RES III

The year 2023 also saw legislative work on another amendment to the Energy Act, *Lex RES III*, or the transposition amendment. The bill mostly constitutes the completion of the transposition of Directive (EU) 2019/944. In the Czech legal system, the bill provides for, in particular, electricity storage, aggregation, and flexibility. It also reflects some of ERO's earlier proposals on consumer protection and market monitoring.

9.1.3 EU Directives and Regulations

On 14 March 2023, the Commission presented a proposal for a reform of Regulation (EU) 1227/2011 (REMIT) and Regulation (EU) 2019/942 to improve the Union's protection against market manipulation in the wholesale energy market. It is a comprehensive recast of the rules for improving the Union's protection against market manipulation in the wholesale energy market. The proposal was tabled in response to the energy crisis that had highlighted that the energy market design's short-term focus can distract from broader, longer-term goals. REMIT should ensure that consumers and other market participants have confidence in the integrity of electricity and natural gas markets, prices reflect a fair and competitive interplay between supply and demand and no profits can be drawn from market abuse.

During the legislative process, ERO, as the sponsor of this Regulation, coordinated and prepared framework documents intended for negotiating Czech positions in EU institutions. On 16 November 2023, provisional political agreement was reached on REMIT, which the member states endorsed at the level of ambassadors in late December 2023.

As part of its initiative of 14 March 2023, the Commission also presented a proposal for a Regulation amending Regulations (EU) 2019/943 and 2019/942 as well as Directives (EU) 2018/2001 and 2019/944 to improve the Union's electricity market design, i.e. increase the EU energy markets' resilience and boost EU consumers' and enterprises' independence of short-term market electricity prices. Therefore, the proposal includes a set of measures aimed to create a buffer between short-term markets and electricity bills paid by consumers, in particular by way of incentivising longer-term contracting, to improve the functioning of short-term markets to better integrate renewables and enhance the role of flexibility and to empower and protect consumers. During the negotiations, ERO proactively joined national and international discussions and promoted Czech positions. On 14 December 2023, the Council and the European Parliament reached a provisional agreement to reform the EU's electricity market design (EMD), which the member states also endorsed at the level of ambassadors.

Under the reporting and notification obligation arising for the Czech Republic, as an EU member state, from Directive (EU) 2019/944 and Directive 2009/73/EC, ERO delivered the Czech and English versions of the *National Report of the Energy Regulatory Office on the Electricity and Gas Industries in the Czech Republic for 2022* to the European Commission, ACER and CEER, as every year.

9.2 Administrative activities

9.2.1 Remonstrance proceedings

Under Section 152 of the Rules of Administrative Procedure, the ERO Board decides on administrative appeals ('remonstrance') based on recommendations provided by the remonstrance commissions set up under Section 152(3) of the Rules of Administrative Procedure. ERO had three remonstrance commissions in 2023: one for primarily energy infrastructure and trade, one for primarily SES, and one for consumer protection.

The remonstrance commissions examined 169 appeals and requests for review in 2023. Based on these considerations, they delivered decisions on 62 of them in 2023. Decisions on 107 appeals and review requests that the remonstrance commissions examined in 2023 had not been made by the end of 2023. In 2023, the ERO Board also decided on 95 appeals that the remonstrance commissions had examined in 2022. The ERO Board decided on 157 appeals overall in 2023.

As regards ERO's decision-making, the number of appeals and other remedies lodged against ERO's decisions and procedures remained high in general, with a significant increase already visible the year

before. As regards specific agendas, a significant increase in appeals can be seen in consumer disputes, and the associated large increase in the number of cases in the gas industry, and also in appeals against decisions on administrative offences under the Consumer Protection Act, which respond to findings from the time of the energy crisis. On the other hand, the number of remedies in RES disputes declined. A distinct increase in cases can also be seen in decision-making on requests for information. New cases also include remedies against decisions concerning the authorisation to provide intermediary services.

Table 4 Overview of appeals decided

TOTAL appeals , of which	157
Appeals against decisions in adversarial proceedings , of which, by sector:	78
Electricity industry	26
Gas industry	30
Heat supply industry	2
Supported energy sources	19
Compensation for dispatch control	1
Appeals against decisions on administrative offences , of which, by Act:	36
Under the Energy Act	22
Under the Act on Prices	5
Under the Consumer Protection Act	5
Under the Consumer Protection Act and the Energy Act	4
Appeals in cases of requests for information	15
Appeals against licensing decisions	15
Appeals against decisions on authorisations for intermediaries	6
Appeals against decisions in cases of remedial actions	7

Source: ERO

9.2.2 Adversarial proceedings

ERO decides in disputes in energy industries under Section 17(7)(a) to (e) of the Energy Act, proceeding under Section 141 of the Rules of Administrative Procedure. It decides in consumer disputes of households or customers in a self-employed position under Section 17(7)(e)(1) and (2) of the Energy Act.

Consumer disputes concerned the performance of obligations under electricity/gas supply/distribution contracts and the determination of whether the legal relationship between the customer and licence holder had come into existence, continued to exist, or had ceased to exist, and when this happened. 2023 saw a continued increase in consumer disputes caused by suppliers billing electricity/gas supply at variance with the contract and the electricity/gas supply price agreed therein. There was a considerable increase in disputes over failure to bill electricity/gas supply on time and failure to refund overpayments.

Under Section 17(7)(a) to (c) of the Energy Act, the subject matter of those proceedings included disputes over contract conclusion, disputes over the curtailment, interruption, or resumption of electricity/gas supply/distribution on account of illegal offtake or illegal distribution, and disputes over the connection of or access to installations in the electricity grid or gas system.

A special type of disputes in the electricity industry was those under Section 17(7)(d) of the Energy Act taken together with Section 52 of the SES Act. In 2023, ERO continued, in consequence of a judicial interpretation of Section 52(2) of the SES Act, to adjudicate on disputes over the surrender of unjustified enrichment and over damages due to unauthorised utilisation of aid for electricity generated. These cases are complex as to the facts and as to the law and require an individual assessment of the electricity market participants' rights and obligations related to the right to aid for electricity or heat.

Typical disputes under Section 17(7)(d) of the Energy Act over SES issues continued to include generators' claims for the payment of the aid owed for generated electricity, where in the generator's opinion the market operator or the mandatory buyer failed to pay the aid.

Table 5 Adversarial and approval proceedings conducted and concluded with finality, by ERO competence

Type of proceedings	Conducted sets of proceedings	Concluded sets of proceedings
Adversarial proceedings , of which, by sector	25	11
Electricity industry	21	9
Gas industry	1	1
Heat supply industry	3	3
Total consumer disputes	654	586
Total approval proceedings	36	31

Source: ERO

9.2.3 Approval proceedings

In 2023, ERO decided under Section 17(7)(g) and (i) of the Energy Act on the approval of the Electricity/Gas Transmission System Operating Rules and Distribution System Operating Rules, the market operator's commercial terms and conditions, the SSO Codes, and the ten-year gas and electricity transmission system development plans. Under Section 17(4) of the Energy Act, ERO also exercised the competences of the regulatory authority under the relevant EU Regulations.

9.2.4 Proceedings under the law on free access to information

Under the law on free access to information, ERO posted *The ERO Annual Report on Activities in Information Provision* on its website, as every year (Annex 3).

9.2.5 Sanction proceedings

Under Section 18(3) of the Energy Act, ERO conducts proceedings on administrative offences under the Energy Act, the Act on Prices, and the Consumer Protection Act.

Table 6 Applications and administrative proceedings

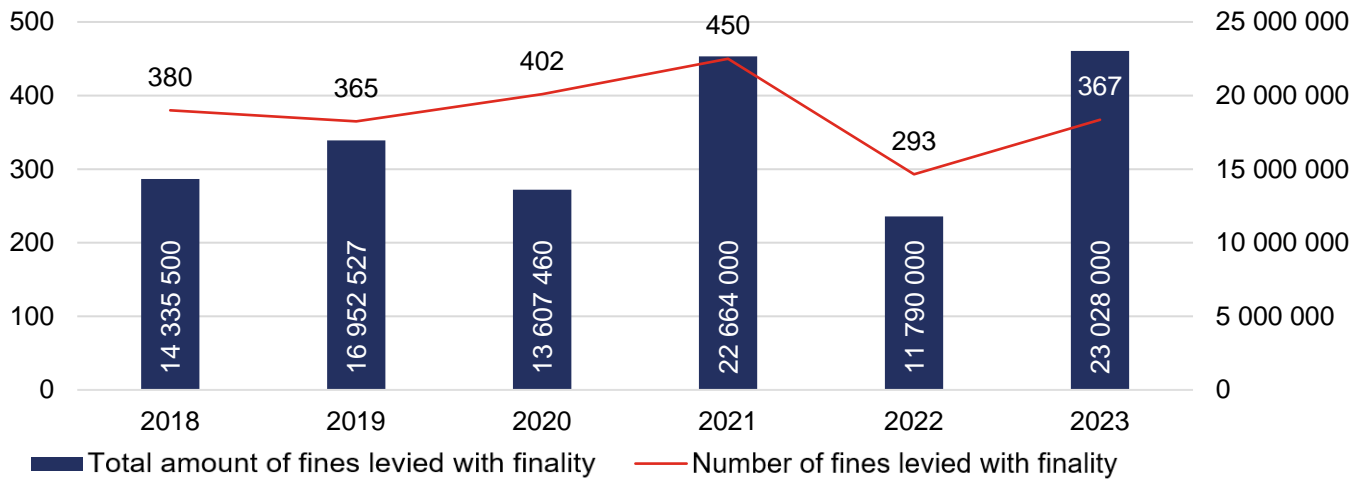
Total applications , of which	926*
dropped	268**
brought	433
Proceedings with final decisions (incl. those from preceding years)	484

Source: ERO

* ERO's own motions based on its own findings under the Oversight Rules, and applications received from outside sources, primarily the Czech Police

** In particular applications received from the Czech Police, where the offender was unknown

Chart 25 Fines levied with finality [-], including the total amount [CZK]



Source: ERO

9.2.6 Licensing

The number of applications for licence grant/amendment/revocation surged compared with 2022 (more details in Annex 4).¹⁴

Table 7 Number of licensing proceedings by application type

	2018	2019	2020	2021	2022	2023
New licences	512	569	669	679	1,246	1,542
Amended licences	1,004	1,099	1,120	1,141	1,294	1,848
Revoked licences	383	416	401	407	437	448
TOTAL	1,899	2,084	2,190	2,227	2,977	3,838

Source: ERO

9.2.7 Recognition of professional qualifications

In 2023, ERO received eight applications for the recognition of professional qualifications within the meaning of the law on the recognition of professional qualifications (Act No 18/2004). It decided to recognise professional qualifications in six cases, rejected the application in one case, and discontinued the proceedings in one case.

¹⁴ You can find more detailed information about the licensees on [ERO website](#) in the licence search option.

10 ERO'S FINANCES, OPERATION AND INTERNAL CONTROL SYSTEM

10.1 Budget management

The budget for Chapter 349 Energy Regulatory Office was approved as part Act No 449/2022 on the National Budget of the Czech Republic for 2023 on 30 November 2022.

Table 8 Chapter 349 Mandatory targets

Target	Approved budget [CZK]	Budget after changes [CZK]	Final budget of income and expenses [CZK]	Actual [CZK]	Percentage (column 4 / column 3) [%]
	1	2	3	4	5
Aggregate targets					
Total income	335,241,600	335,241,600	335,241,600	18,860,389,990	5,625.91
Total expenditure	306,643,920	311,781,930	360,555,980	310,224,950	86.04
Specific targets – income					
Tax revenues	315,241,600	315,241,600	315,241,600	18,843,534,470	5,977.49
Non-tax revenues, capital revenues and accepted transfers, of which:	20,000,000	20,000,000	20,000,000	16,855,520	84.28
total income from EU budget w/o CAP	0	0	0	0	0
other non-tax income, capital revenues and accepted transfers	20,000,000	20,000,000	20,000,000	16,855,520	84.28
Specific targets – expenditure					
Outlays to support ERO tasks, of which:	306,643,920	311,781,930	360,555,980	310,224,950	86.04
expenses on the performance of European Council presidency	0	0	3,000	2,980	99.33
other expenses to support ERO tasks	306,643,920	311,781,930	360,552,980	310,221,980	86.04
Standard targets					
Salaries for employees and other payments for work	187,614,700	188,379,480	199,319,660	186,472,240	93.55
Salaries for employees under employment contract, except for civil servants	27,769,970	27,329,970	29,869,600	27,436,610	91.36
Salaries for civil servants under the Civil Service Act	147,769,600	148,534,380	156,502,630	148,788,640	95.07
Salaries for employees under employment contract derived from salaries of constitutional officials	9,759,600	8,789,600	8,789,600	8,030,400	91.36
Statutory insurance premiums paid by the employer	63,413,770	63,672,270	67,223,930	62,455,370	92.91
Allocation to the Fund of Cultural and Social Needs (FKSP)	3,705,980	3,721,270	3,931,430	3,694,850	93.98
Arrangements for crisis situations under Act No 240/2000	0	0	0	0	0
Total outlays co-financed completely or partly from the EU budget w/o CAP, of which	0	5,341,000	5,341,000	0	0
from the national budget	0	5,341,000	5,341,000	0	0
share from the EU budget	0	0	0	0	0
Total expenses recorded in the EDS/SMVS programme financing information system	7,300,000	6,600,000	21,002,000	3,183,920	15.16

Source: ERO

10.1.1 Chapter 349 revenues

Funds under the mandatory target 'income from the EU budget without the common agricultural policy' were not budgeted.

Table 9 Actual performance

	Budget of revenue 2023 [CZK]	Actual 2023 [CZK]	Performance v actual in 2022 [%]
Total revenues, of which	335,241,600	18,860,389,990	5,732.93
tax revenues	315,241,600	18,843,534,470	5,995.48
total non-tax revenues, capital revenues and accepted transfers	20,000,000	16,855,520	114.76

Source: ERO

The tax revenues were primarily received from collecting levies on surplus revenue under the Energy Act, the amount of which had not been specified for 2023 (revenue from electricity tax), CZK 18,521,615,870, from the fees paid for ERO's activities, CZK 312,129,810, and from collecting administrative fees for licence grant, amendment and renewal, etc., CZK 9,788,780.

Non-tax revenues are mainly received from fines levied on energy business entities, etc.

In 2023, 303 fines levied in administrative proceedings were paid, totalling CZK 15,939,630 (without the costs of proceedings), up by 11.46% on 2022 (in absolute terms CZK 1,638,600). Other *ad hoc* revenue totalled CZK 915,890.

The number of paid fines decreased by 4.42% (i.e. by 14 fines) on 2022.

In respect of fines levied with finality, there were 264 outstanding receivables totalling CZK 14,092,400 (without costs of proceedings), i.e. up by 48.20% (by CZK 4,583,370) on 2022.

10.1.2 Chapter 349 expenditure

For 2023, total expenditure was budgeted at CZK 306,643,920 (approved budget), and it was adjusted to CZK 311,781,930 (changed budget). Due to the use of the claims on unused expenses ('NNV') (Section 47 of the law on budgetary rules) totalling CZK 59,807,440 and to tying funds amounting to CZK 11,033,390, the final budget for Chapter 349's total expenditure stood at CZK 360,555,980.

Table 10 Total amounts actually drawn

	Final budget of expenditure 2023 [CZK]	Actual 2023 [CZK]	Performance v final budget [%]	Performance v actual in 2022 [%]
Total expenditure, of which	360,555,980	310,224,950	86.04	103.76
capital expenditure	21,002,000	3,183,920	15.16	37.59
current expenditure	339,553,980	307,041,030	90.42	105.69

Source: ERO

In each case of expenditure, the funds were spent as effectively, economically, and efficiently as possible, with a view to achieving the maximum benefit for ERO and its activities at all times. Thanks to the above, savings were achieved versus the budget of expenditure, amounting to CZK 50,331,010 for 2023. As at 31 December 2023, Chapter 349 posts a balance of claims for use amounting to CZK 13,833,960.

Table 11 Breakdown of expenditure budget savings

Salaries and other personnel expenses, incl. premiums and FKSP [CZK]	17,852,560
Programme financing EDS/SMVS [CZK]	19,748,000
'Other current expenditure' [CZK]	12,730,450

Source: ERO

Chapter 349 posts total claims on unused expenses (NNV) at CZK 64,164,970 as at 1 January 2024.

Table 12 Breakdown of claims on unused expenses

'Major expenses' [CZK]	48,635,790
'Minor expenses' [CZK]	15,529,180

Source: ERO

Annex 5 contains a comparison of actual expenditure between 2019 and 2023.

10.1.3 Programme financing

In the system for financing the programmes of assets, two programmes were included for 2023: programme 149 020 *Development and Replacement of the Technical Facilities of the ERO for 2016 to 2024*, and programme 149 03 *Development and Replacement of the Technical Facilities of the ERO for 2022 to 2026*. The programmes consist of two sub-programmes, one concerns procurement and replacement of ERO's information and communication technology (ICT), and the other concerns procurement and replacement of ERO's other assets.

The fundamental objective of the programmes is to ensure the development of adequate facilities for ERO, with the heaviest emphasis on ICT.

Since most of ERO's agendas are concentrated in its Integrated Information System, most of the funds under the ICT sub-programme were drawn for its development. In 2023, primarily the following ICT activities were carried out:

- ▮ The ERO Integrated Information System: a new agenda of calculating and billing 'levies' on surplus revenue was created and launched;
- ▮ Procurement and replacement of hardware and software: the upgrade of OS of servers and client stations continued, upgrades of system and application SW facing end of support took place, the esIAR (electronic system for Internal Management Acts) was implemented, the number of VPN for ERO employees was increased, communication was gradually redirected to the MS Teams app, and transition to MS Office 365 was also taking place;
- ▮ Cyber and information security: no cyber security incident under the law on cyber security was addressed.

Table 13 Results by sub-programme for 2023

	Final budget of expenditure [CZK]	Actual [CZK]	Percentage [%]
Total programmes , of which	21,002,000	3,183,020	15.16
Programme 149 020 , of which	14,257,000	1,446,490	10.15
Sub-programme 149 021	13,310,000	499,780	3.75
Sub-programme 149 022	947,000	946,710	99.97
Programme 149 03 , of which	6,745,000	1,737,430	25.76
Sub-programme 149 0311	5,995,000	1,392,580	23.23
Sub-programme 149 0322	750,000	344,850	45.98

Source: ERO

10.1.4 Expenses on business trips abroad

Expenses on business trips abroad totalled CZK 927,420 (CZK 519,300 in 2022) in 2023.

For the payment of the membership dues to CEER and ERRA (budget item 5532 other non-investment transfers abroad) CZK 889,620 was spent as at 31 December 2023.

10.1.5 Evaluation of the economy, efficiency, and effectiveness of ERO's financial management

Section 39(3) of the law on budgetary rules requires the chapter administrator to continuously monitor and evaluate the economy, efficiency, and effectiveness of spending under the chapter that it administers. ERO performed this obligation through quarterly reports on financial management and a summary annual evaluation.

Under the relevant legislation, ERO evaluated the criteria of the economy, efficiency, and effectiveness both as part of *ex ante* management inspections before and after the emergence of the liability, and as part of ongoing and *ex post* management inspections under the law on financial control in public administration (Act No 320/2001) and the relevant implementing regulation.

In public procurement, ERO, being a contracting authority, proceeded under the law on public procurement (Act No 134/2016) and in line with its internal directive on the procedure for awarding low-value public contracts and other regulations concerning public procurement.

10.1.6 Meeting of mandatory targets

ERO complied with all the mandatory targets, with the exception of non-tax revenue due mainly to failure to pay fines levied in the energy sector and to remedies lodged against levied fines. The planned amount of funds was not exceeded under any of the mandatory targets without approval. A detailed analysis of performance versus budget is contained in the relevant parts of the draft of the closing account of Chapter 349 for 2023.

10.1.7 Cash funds, assets, receivables, and liabilities as at 31 December 2023

There were no transfers from cash (own) funds to revenues of Chapter 349 in 2023.

Table 14 Cash funds

FKSP [CZK]	1,561,460
Legal reserves [CZK]	0

Source: ERO

Table 15 ERO assets

Acquisition cost of assets [CZK]	236,543,250
Net book value of assets [CZK]	73,039,280

Source: ERO

In 2023, the total value of assets at acquisition cost decreased by CZK 771,080 on 2022.

Table 16 Total receivables

Total receivables [CZK]	18,980,010
--------------------------------	------------

Source: ERO

Fines levied in administrative proceedings (including costs of proceedings), amounting to CZK 14,217,400, made up the largest part of total receivables.

Table 17 Total liabilities, including the Energy Regulatory Fund

Total liabilities [CZK]	66,169,140
--------------------------------	------------

Source: ERO

The money in the Energy Regulatory Fund, amounting to CZK 45,444,390, made up the largest part of total liabilities. Under Section 14(10) of the Energy Act, ERO is required to submit an audit of the Fund for the respective calendar year (Annex 6). As at 1 January 2023, the opening balance in the Fund stood at CZK 45,444,390. In 2023, no compensation was paid from the Fund's account for a conclusive loss from activity over and above a licence (public notice 280/2007 on the Energy Regulatory Fund). No income or expenditure was recorded in this account of the Fund in 2023 and the balance in the Fund's special current account as at 31 December 2023 stood at CZK 45,444,390.

10.2 Human resources

10.2.1 Employees and the HR agenda

In 2023, ERO organised 94 recruitment procedures for civil service positions, two procedures for service positions governed by the Labour Code, and three for employment under the Labour Code. A persisting problem is the difficult filling of vacant service positions. The reasons include the specific nature of state administration, and the conditions of public service in general, and frequently also the complex and lengthy process of recruitment and acceptance to public service. Equally important, a major role is played by the public authority's inability to compete with its initial salary against the wages offered in the private sector, energy in particular.

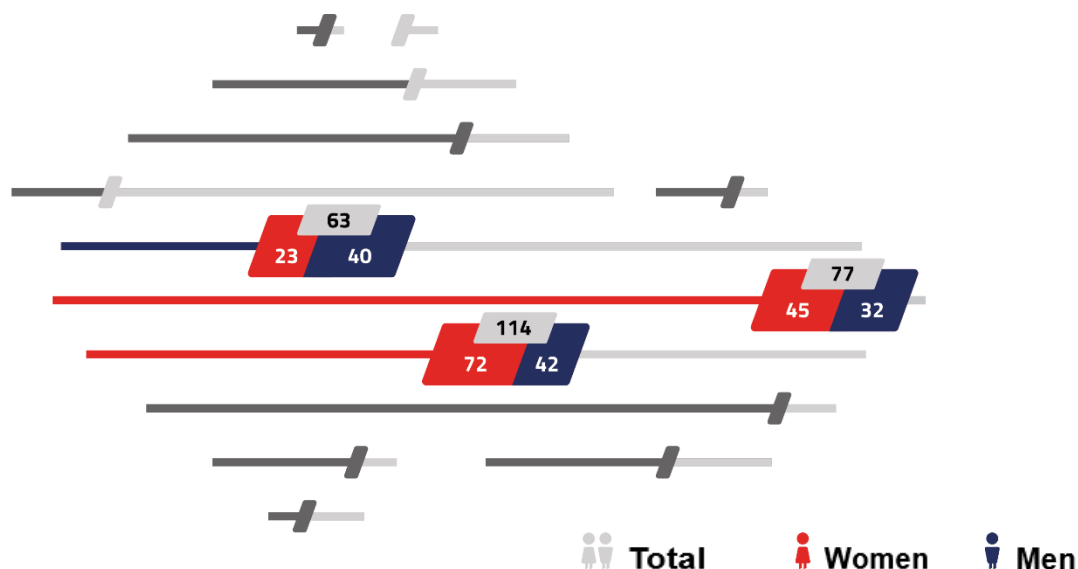
Table 18 Scheduled (established) public service and employment positions

	Jihlava	Ostrava	Praha	TOTAL
Approved number of scheduled positions for 2023	125	90	74	289
Actual headcount on 31 December 2023	114	77	63	254

Source: ERO

ERO promotes gender equality in job opportunities and diversity in executive positions. In the ranks of superiors and managers, out of the 48 planned positions 44 positions were filled, 14 of them by women,

i.e. 31.82%, as at 31 December 2023. The total headcount comprised 44.88% men and 55.12% women, and the trend of increasing numbers of women is apparent.



You can find the organisational structure of ERO in Annex 1.

Table 19 The average FTE staffing level and the actual headcount

	Plan 2023 [-]	Actual 2023 [-]	Index [%]
Average FTE staffing level, of whom:	289	257.98	89.27
Civil servants	235	205.76	87.56
Employees under the Labour Code	49	48.22	98.41
ERO Board members	5	4	80.00
Actual headcount, of whom:	289	254	87.89
Civil servants	235	202	85.96
Employees under the Labour Code	49	48	97.96
ERO Board members	5	4	80.00

Source: ERO

The budgeted average salary for 2023 was planned at CZK 53,431 (approved budget). The actually achieved average salary was CZK 59,519, index 111.39%.

Under the mandatory target *Salaries for employees and other payments for work*, claims on unused expenses (NNV) were used, CZK 19,032,300, due to the payment of a severance grant [as compensation for a civil servant (*odchodné*)], and payments for ordered overtimes, and the award of other components of salaries. Budgetary measures were taken to increase this target by CZK 764,780 to defray the costs incurred in seconding an ERO employee to an EU institution and to decrease it by CZK 8,092,120 due to the tying of national budget funds for vacancies. The funds for salaries were utilised proportionally to the share of the scheduled positions filled.

CZK 1,784,300 was drawn for other personnel costs, by way of 'agreements to complete a job' or 'agreements to perform work' for the delivery of work.

The other items of the salaries budget can be found in Chapter 10.1.

10.2.2 Civil service examinations in the energy sector

ERO organises civil service examinations in the 'Services 29 – Energy' field for state administration as a whole. In 2023, civil service examinations could be taken on six dates, on which 14 ERO civil servants and 9 civil servants of other institutions successfully passed the civil service examination.

10.2.3 Education and training

ERO had sufficient budgeted funds for education and was therefore able to provide for the required education and training in full. CZK 1,609,810 was spent on education.

Thirty-one employees went through introductory initial training. Continued initial training was organised in cooperation with the Ministry of the Interior; six employees attended the training. Its purpose was to teach the participants the basics of the legal system, explain the working of public administration and issues of public finances, etc.

Of the above total amount, CZK 864,750 was spent on language training. Some of the new employees were enrolled. A total of 65 scheduled positions for which command of one of the world languages was a qualification requirement were determined for 2023. As at 31 December 2023, 100% of employees in the filled scheduled positions fully met the language requirements.

A total of 72 training events on topics such as state administration, cyber security, ethics, corruption and whistleblowing, MS Office, professional competence training, OHS, fire protection, and work at height, and other technical and ongoing training courses responding to current legislative changes were organised. The equivalent of 737 employees were trained.

10.3 Internal control system

ERO has put in place an adequate internal control system in line with the Financial Control Act and its own strategy, plans, and objectives, thereby creating the conditions for an oversight environment favourable for the management of public funds.

ERO's operation is governed by a system of legal, internal, and service regulations which set out the control and oversight mechanisms for organising, managing, and performing financial controls in accordance with the principles of effectiveness, economy, and efficiency. In its internal and service regulations, ERO specifies organisational structures, the system of management inspection and internal audit, including the approval of asset operations, and specifies the scope of the superiors' and other employees' powers and responsibilities and complies with other provisions of the financial control law. ERO carries out comprehensive risk analysis, on the basis of which it plans and carries out internal audits, has in place three tiers of management inspection, allocates responsibilities via multi-tier approval and collective decision-making procedures, publishes the results of its decision-making procedures, discusses internal audit's recommendations, adopts measures to remedy any identified shortcomings and measures to protect public funds, has in place a system for corruption prevention and detection, and continuously reviews and updates its internal control documents.

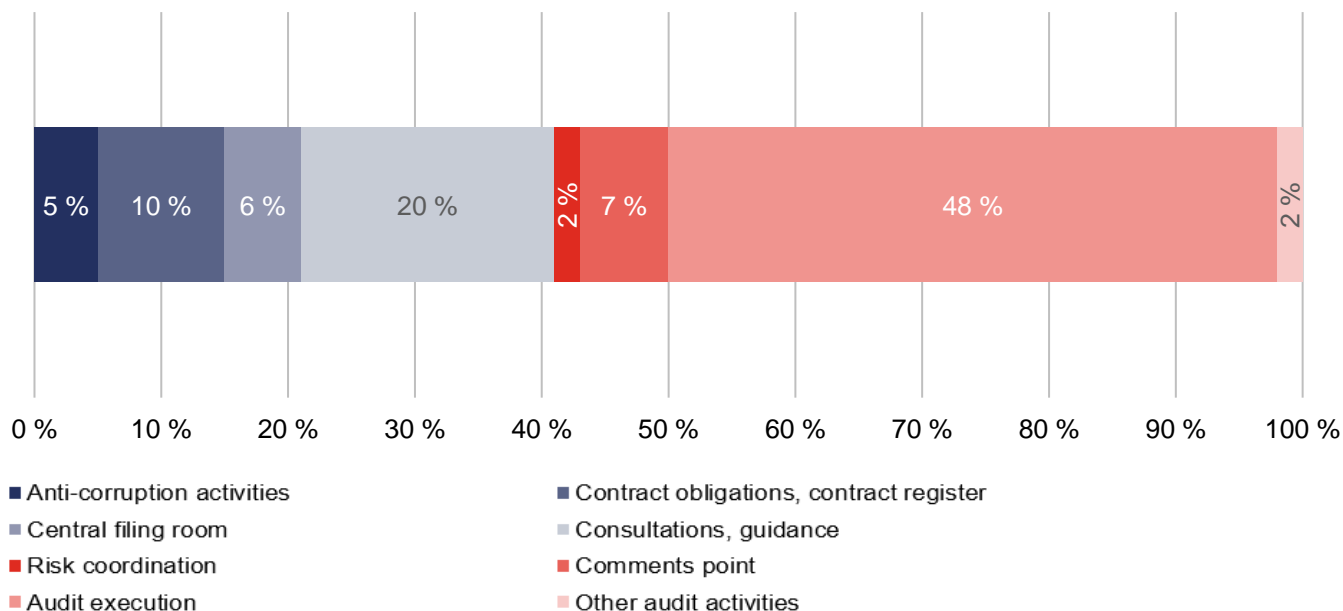
Management inspection is carried out by the managerial personnel authorised to handle public funds at all levels of management, and employees authorised accordingly, who are responsible for the actual execution of operations for the purpose of achieving the set objectives and minimising risks. Management checks are conducted from preparing financial operations before they are approved to the final checking of operation following their execution. *Ex post* checks of selected operations as part of assessing the achieved results and the accuracy of finance management fall within managers' powers and responsibility. Written records are taken down on all approving procedures of management inspection.

A separate, functionally independent unit, organisationally separate from managerial and executive structures, directly reporting to ERO Board Chairman operates internal audit. Internal audit's mission is to

provide assurance services based on objective risk assessment with a view to improving processes and ensuring the effective working of the internal control system, to provide advice, and to bring understanding of the substance of the matter.

The unit carried out its activities in accordance with the approved Internal Audit Plan for 2023, which also contained some other tasks arising from the internal audit function, in particular those concerning guiding and consulting, and the agendas vested in the Internal Audit Unit.

Chart 26 Internal audit activities [%]



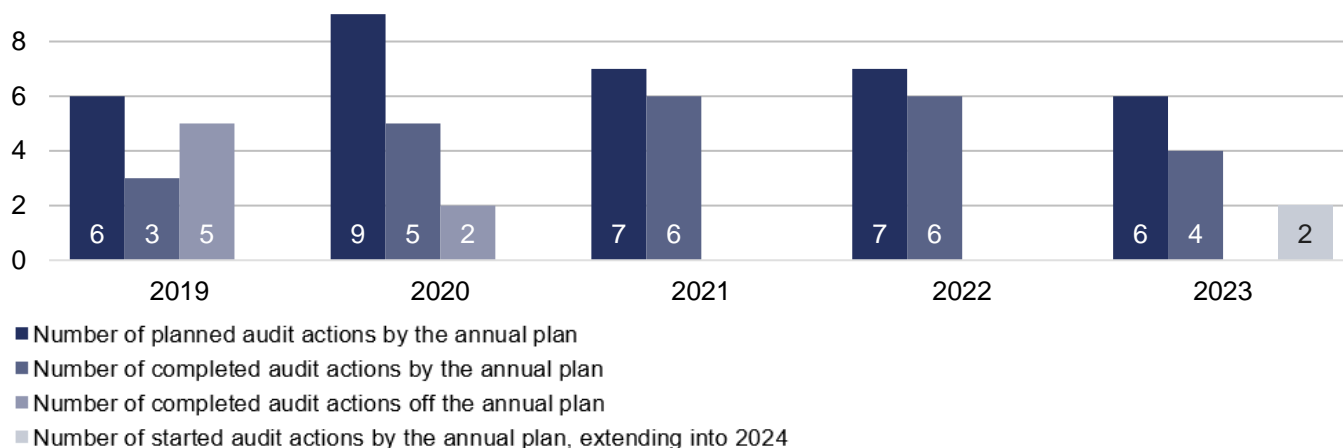
Source: ERO

In 2023, audit actions and consultations focused on the following:

- // Implementation of the measures adopted based on internal audit’s remedial recommendations;
- // Compliance with legal, service, and internal regulations;
- // Design of control and oversight mechanisms in audited areas;
- // Checking that accounting documents are accurate, complete and conclusive and checks of physical and documentary stock takes;
- // Design of the internal control system in certain areas (management inspection, control environment, risk management, oversight activities, information flow, monitoring) in relation to ERO’s objectives and assignments;
- // Checking the compliance of public procurement procedures with selected legislation and the requirements of internal regulations, checking that documentation on public contracts is substantively and formally accurate and complete;
- // Checking that contracts/purchase orders are published in the contract register correctly;
- // Execution of anti-corruption measures and tasks arising from the government’s anti-corruption documents and ERO’s Internal Anti-corruption Programme, including an evaluation of corruption risks and outcomes of the evaluation of the efficiency of ERO’s Internal Anti-corruption Programme;
- // Assessing the serviceability and user friendliness of ERO’s website.

In 2023, the Internal Audit Unit carried out, under the annual plan for 2023, three audit actions and one consultation and started two internal audits extending into 2024. The overall number of completed audit actions declined compared with 2022, primarily due to a smaller number of internal auditors. The average FTE of internal audit employees in the period under review was 2.54 persons.

Chart 27 Number of audit actions under annual plans [-]



Source: ERO

In 2023, audit activities were underpinned by consultations that responded to the current needs of ERO's various parts. Internal auditors provided consultations on public procurement, asset management, risk management system coordination, personal data protection, contract conclusion related to contract publication in the contract register, and the filing and archiving service. They provided support for the launch of the esIAŘ app and the design and implementation of the internal whistleblowing system under Act No 171/2023 on the protection of whistleblowers, they reviewed ERO Information Policy, and they took part in all commenting procedures on the internal and service regulations that were being updated in the period under review.

The outcomes of audit actions and consultations were discussed with the ERO Board and its Chairman and with the managerial personnel responsible for managing the audited activities. Adequate, targeted and scheduled measures on all the deficiencies identified were adopted based on the recommendations formulated by internal audit.

In 2023, internal audits did not identify any serious shortcomings that could trigger the imposition of extensive or system-wide remedial measures or significantly impact on proper governance over the management of public funds and assets. No corruption was detected or reported, and no risk was identified as regards abuse of the position of employees in a decision-making or steering process. The adopted measures were mainly geared towards improving the processes and working procedures in the audited areas.

Based on a recapitulation of the results of internal audits and consultations in 2023, reasonable assurance can be provided that the internal control system in place is sufficiently effective and serviceable in practice, providing reasonable assurance that it is able to minimise risks in those areas. Public expenditure of the national budget, reported under Chapter 349 of the national budget, is being utilised in compliance with the legislative framework.

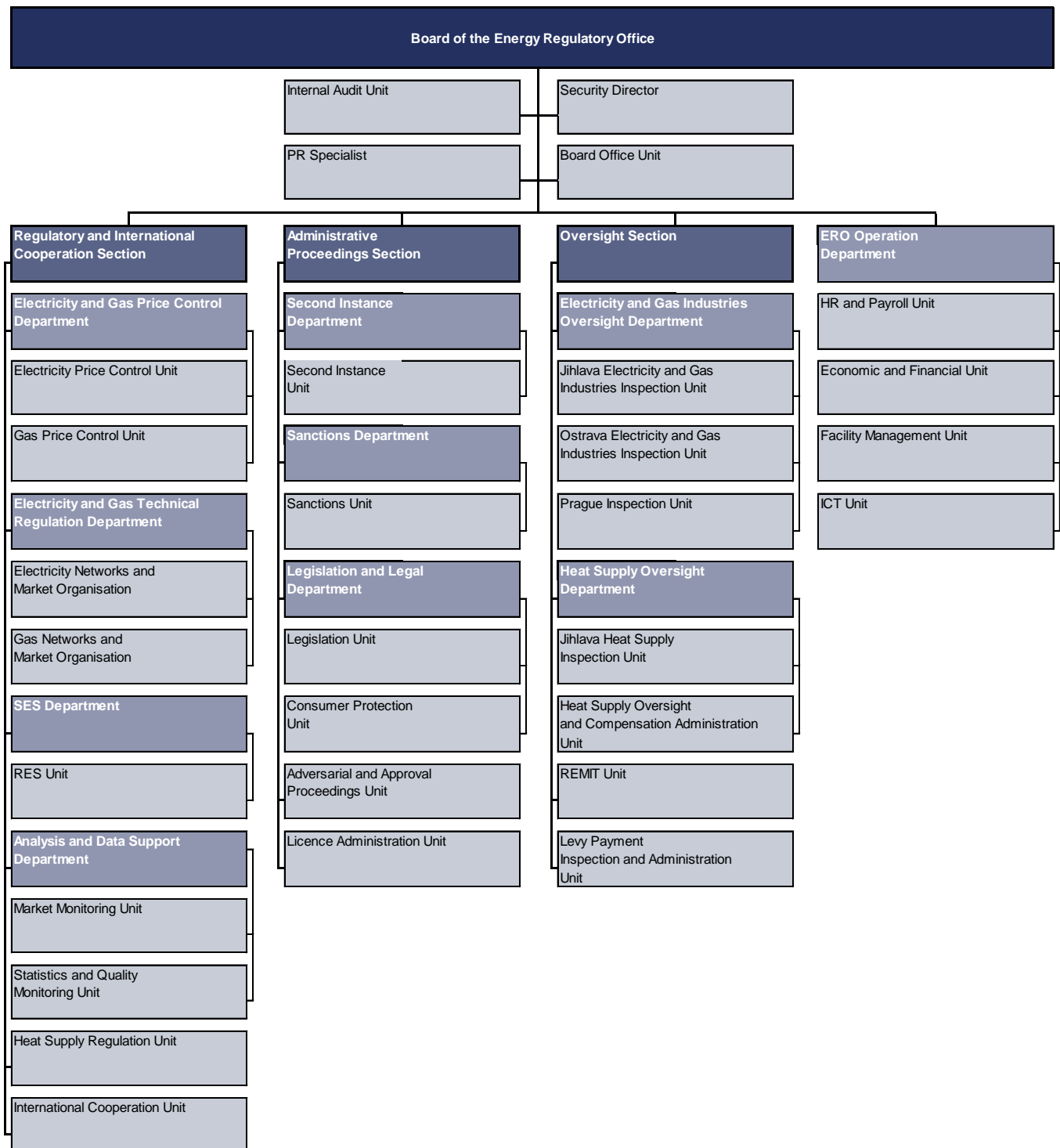
10.3.1 External inspection

On 12 April 2023, the Jihlava Regional Branch of Úřad práce ČR (Czech Labour Office) carried out, under Section 8(2) of the law on financial oversight, an administrative inspection focused on compliance with the employer's obligation under Section 81 of Act No 435/2004 on Employment, to employ the number of persons with a disability equalling the obligatory percentage of its total headcount for 2022.

Based on its findings the Jihlava Regional Branch of Úřad práce ČR determined that ERO would be refunded an overpayment of CZK 17,688 on the basis of its request to be refunded this overpayment in its payment to the national budget.

ANNEXES

Annex 1 Organisational structure of the Energy Regulatory Office as at 31 December 2023



Annex 2 Information published by the Energy Regulator Office as an ADR entity under Section 20k(5) of Act No 634/1992 on consumer protection for 2023

- a)** The number of disputes received and the types of complaints to which they related.

The number of disputes was 456. The issues mainly concerned claims for the performance of obligations under electricity/gas supply contracts and motions to determine the emergence or extinction of a legal relationship on electricity/gas supply.

- b)** The percentage share of ADR procedures which were discontinued or dismissed and, if known, the reasons for their discontinuation or dismissal.

Approximately 5% was the percentage share of procedures discontinued through application withdrawal, in which ERO is not aware of the reasons for discontinuation.

- c)** The average time taken to resolve disputes.

The average time was three to six months.

- d)** The rate of compliance, if known, with the outcomes of the ADR procedures.

ADR outcomes are complied with because these are administrative decisions.

- e)** Any systematic or significant problems that occur frequently and lead to disputes between consumers and traders.

The main cause of disputes is failure to respect the rights and obligations under electricity/gas supply contracts by the business and failure to respect the consumer's legal acting in matters concerning the extinguishment of the legal relationship.

- f)** Cooperation of ADR entities within networks of ADR entities which facilitate the resolution of cross-border disputes, if applicable, and assessment of the effectiveness of this cooperation.

There was no cooperation within a network facilitating the resolution of cross-border disputes.

- g)** The training provided to natural persons in charge of ADR.

At ERO, university graduates from master's programmes in law are in charge of ADR.

- h)** Assessment of the effectiveness of the ADR procedure and of possible ways of improving its performance.

ADR is an effective legal tool that provides, but for certain exceptions, consumers with an opportunity to achieve simple resolution of their disputes, provided their applications are well-founded.

Annex 3 ERO annual report on information provision under Act No 106/1999 on free access to information for 2023

Under Section 18 of Act No 106/1999 on free access to information, as amended (also 'the Act'), ERO publishes its 2023 annual report on its activities in information provision under Act No 106/1999. In 2023, ERO handled 108 requests for information provision under the Act.

Number of requests for information and number of decisions to dismiss the request

Requests under Section 18(1)(a) of the Act:

- / 108 requests for information
- / 12 decisions dismissing requests, including those dismissing requests in part

Number of appeals lodged against decisions

Six appeals against dismissing/partly dismissing decisions were lodged.

Number of complaints under Section 16a of the Act:

Applicants for information lodged eight complaints about the way their requests were handled. Of the total number, in six cases they complained that the liable entity was inactive. In two cases, the complaint was lodged under Section 16a(1)(c) of the Act, of which in one case the liable entity sent additions to the required information to the applicant without the need for a superior body deciding on the complaint.

Number of dismissed requests under Section 14(5)(b) of the Act

Under Section 14(5)(b) of the Act, ERO dismissed one request on the grounds of the applicants' failure to clarify the request.

Number of requests dropped under Section 14(5)(c) of the Act

Under Section 14(5)(c) of the Act, ERO dropped one request for information on the grounds of its lack of competence to handle the request.

Additional information concerning the application of the Act

Numbers of requests for information handled in 2023, broken down by ERO's areas of competence:

- / 9 oversight
- / 36 licences
- / 19 legislation
- / 32 regulation
- / 12 other

The above breakdown shows that requests received from applicants for information concerned various areas of ERO's competences. There is persisting interest in licences and the granting thereof and the meeting of the conditions for deciding on licence grant, in regulation, in the legal outputs from ERO's activities in the form of administrative decisions, and in information about its oversight activities.

In 2023, there were 19 fewer requests for information than in 2022, i.e. a slight decline. In spite of that it can be noted that the public continue to be interested in energy developments. At the same time, the technical sophistication of applicants' requests is increasing and necessitates cooperation between the various parts of ERO in handling this agenda.

Annex 4 Licences

Table 20 Numbers of valid licences by object of business

	2018	2019	2020	2021	2022	2023
Electricity						
Generation	26,321	26,405	26,604	26,792	27,320	28,098
Distribution	254	254	257	268	274	275
Transmission	1	1	1	1	1	1
Trade	403	411	409	423	422	435
Electricity trade recognition	33	34	39	37	44	47
Gas						
Production	12	12	12	12	13	19
Distribution	69	67	69	69	72	74
Transmission	1	1	1	1	1	1
Trade	236	243	240	255	247	252
Gas trade recognition	27	29	37	39	40	43
Storage	4	4	4	4	4	4
Thermal energy						
Production	663	658	655	657	653	647
Distribution	650	649	645	640	637	631
Market operator						
Market operator's activities	1	1	1	1	1	1
TOTAL	28,675	28,769	28,974	29,199	29,729	30,528

Source: ERO

Table 21 Number of electricity generating installations and installed capacities by type of RES used

Operations		2018	2019	2020	2021	2022	2023
Up to 10 MW hydro	Number [-]	1,596	1,604	1,608	1,608	1,608	1,604
	Capacity [MW]	350.66	352.51	352.62	353.95	352.22	353.29
Wind	Number [-]	122	123	121	120	119	120
	Capacity [MW]	319.75	342.29	342.23	342.23	342.55	355.25
Solar	Number [-]	28,412	28,554	28,880	29,140	29,822	31,197
	Capacity [MW]	2,119.47	2,127.54	2,148.71	2,157.14	2,205.67	2,419.06
With a biogas share	Number [-]	420	419	419	418	416	421
	Capacity [MW]	332.95	332.09	333.64	334.46	334.67	337.65
Landfill gas	Number [-]	69	69	70	70	70	71
	Capacity [MW]	58.65	58.65	58.94	58.94	58.94	58.16
With a biomass share	Number [-]	89	89	85	83	78	76
	Capacity [MW]	2,972.99	2,889.03	2,820.31	2,848.63	2,236.54	2,311.99

Source: ERO

Annex 5 ERO budget management

Table 22 Comparison of actual expenses under Chapter 349 ERO, for the period 2019–2023
(Expenses and other cost items are in thousands CZK)

Item	Actual 2019	Actual 2020	Actual 2021	Actual 2022	Actual 2023	Index 23/22 [%]
Total expenses, of which	312,466	292,262	285,862	298,993	310,225	103.76
salaries, other payments, insurance premiums and FKSP	236,146	236,892	227,479	235,294	252,622	107.36
expenses on the asset replacement financing programmes	24,893	5,903	2,778	8,469	3,184	37.60
total other expenses	51,427	49,467	55,605	55,230	54,419	98.53
use of claims on unused expenses (NNV)	46,017	33,673	25,808	53,829	44,125	81.97
Expenses on salaries and other payments for work	174,050	176,573	167,876	173,612	186,472	107.41
Salaries for employees under employment contracts, except those in public service positions, salaries for employees under employment contracts in public service positions under the Public Service Act, salaries for employees under employment contracts derived from salaries of constitutional officials (ERO Board)	171,698	167,474	165,642	171,268	184,256	107.58
Staffing levels (Average FTE)	282	260	246	254	258	101.57
Salaries, other payments, insurance premiums and FKSP per employee	837	911	925	926	979	105.72
Programme financing costs per employee	88	23	11	33	12	36.36
Other expenses per employee	182	190	226	217	210	96.77
Total expenses per employee	1,108	1,124	1,162	1,177	1,202	102.12

Source: ERO

/Letterhead: KRATKYAUDIT/

INDEPENDENT AUDITOR'S REPORT

To the management of the Energy Regulatory Office

The auditor's opinion

We have audited the fund set up by the Energy Regulatory Office ("the Company") pursuant to Section 14 of Act No 458/2000 on the Conditions of Business and State Administration in the Energy Industries and Amending Certain Laws, as amended (an element of financial statements), prepared under the Czech Accounting Standards as at 31 December 2023.

In our opinion, the financial disclosures in the balance sheet of the fund, set up pursuant to Section 14 of Act No 458/2000, as at 31 December 2023 have been prepared, in all material respects, in compliance with the Czech Accounting Standards.

Basis for the opinion

We conducted our audit in accordance with the Act on Auditors, and Auditing Standards of the Chamber of Auditors of the Czech Republic, consisting of International Standards on Auditing (ISAs), as amended by relevant application guidelines. Our responsibilities under those regulations are further described in the *Auditor's responsibility for the audit* section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic, and we have fulfilled our other ethical responsibilities deriving from the said regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Company Directors' responsibility for the financial statements

Company Directors are responsible for the preparation and fair presentation of the financial statements in accordance with Czech Accounting Standards and for such internal control as Directors determine is necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In the preparation of the financial statements, Company Directors are required to assess whether the Company is a going concern and, where relevant, to describe in the notes to the financial statements matters relating to its going-concern status and the use of the going-concern basis in the preparation of the financial statements, except in those cases where Company Directors plan to wind up the Company or discontinue its operations, or where they have no other realistic option but to do so.

Auditor's responsibility for the audit of the element of the financial statements

Our objectives are to obtain reasonable assurance about whether the element of the financial statements is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the above regulations will always detect a material misstatement when it exists in the element of the financial statements. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions that users taken on the basis of these financial statements.

As part of an audit in accordance with the above legislation, we are also required to exercise professional judgement and maintain professional scepticism throughout the audit. We are also required:

- To identify and assess the risks of material misstatement in the element of the financial statements, whether due to fraud or error, to design and perform audit procedures responsive

to those risks, and to obtain audit evidence that is sufficient and appropriate to provide a basis for us to be able to express an opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- To obtain an understanding of the Company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
- To evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made, and disclosures made in the notes to the financial statements in this respect and relating to the audited element of the financial statements by Company Directors.
- To conclude on the appropriateness of the Company Directors' use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the notes to the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions on the Company's ability to continue as a going concern are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We are required to inform those charged with governance of, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

kratkyaudit s.r.o.

K nádraží 225, 664 59 Telnice

Registration number 583

Ondřej Krátký

Registration number 2437

27 February 2024

L.S. /Auditor's seal

ZPRÁVA NEZÁVISLÉHO AUDITORA

Vedení Energetického regulačního úřadu

Výrok auditora

Provedli jsme audit fondu zřízeného dle ustanovení § 14 zákona č. 458/2000 Sb., o podmínkách podnikání a o výkonu státní správy v energetických odvětvích a o změně některých zákonů ve znění pozdějších předpisů („prvek účetní závěrky“) Energetického regulačního úřadu („Společnost“) sestaveného na základě českých účetních předpisů k 31.12.2023.

Podle našeho názoru jsou finanční informace v rozvaze ve fondu zřízeného dle ustanovení § 14 zákona č. 458/2000 Sb. k 31.12.2023 ve všech významných (materiálních) ohledech sestaveny v souladu s českými účetními předpisy.

Základ pro výrok

Audit jsme provedli v souladu se zákonem o auditorech a standardy Komory auditorů České republiky pro audit, kterými jsou mezinárodní standardy pro audit (ISA) případně doplněné a upravené souvisejícími aplikačními doložkami. Naše odpovědnost stanovená těmito předpisy je podrobněji popsána v oddílu Odpovědnost auditora za audit. V souladu se zákonem o auditorech a Etickým kodexem přijatým Komorou auditorů České republiky jsme na Společnosti nezávislí a splnili jsme i další etické povinnosti vyplývající z uvedených předpisů. Domníváme se, že důkazní informace, které jsme shromáždili, poskytují dostatečný a vhodný základ pro vyjádření našeho výroku.

Odpovědnost statutárního orgánu Společnosti za účetní závěrku

Statutární orgán Společnosti odpovídá za sestavení účetní závěrky podávající věrný a poctivý obraz v souladu s českými účetními předpisy a za takový vnitřní kontrolní systém, který považuje za nezbytný pro sestavení účetní závěrky, tak aby neobsahovala významné (materiální) nesprávnosti způsobené podvodem nebo chybou.

Při sestavování účetní závěrky je statutární orgán Společnosti povinen posoudit, zda je Společnost schopna nepřetržitě trvat, a pokud je to relevantní, popsat v příloze účetní závěrky záležitosti týkající se jejího nepřetržitého trvání a použití předpokladu nepřetržitého trvání při sestavení účetní závěrky, s výjimkou případů, kdy statutární orgán plánuje zrušení Společnosti nebo ukončení její činnosti, resp. kdy nemá jinou reálnou možnost než tak učinit.

Odpovědnost auditora za audit prvku účetní závěrky

Naším cílem je získat přiměřenou jistotu, že prvek účetní závěrky neobsahuje významnou (materiální) nesprávnost způsobenou podvodem nebo chybou a vydat zprávu auditora obsahující náš výrok. Přiměřená míra jistoty je velká míra jistoty, nicméně není zárukou, že audit provedený v souladu s výše uvedenými předpisy ve všech případech v prvku účetní závěrky odhalí případnou existující významnou (materiální) nesprávnost. Nesprávnosti mohou vznikat v důsledku podvodů nebo chyb a považují se za významné (materiální), pokud lze reálně předpokládat, že by jednotlivě nebo v souhrnu mohly ovlivnit ekonomická rozhodnutí, která uživatelé účetní závěrky na jejím základě přijmou.

Při provádění auditu v souladu s výše uvedenými předpisy je naší povinností uplatňovat během celého auditu odborný úsudek a zachovávat profesní skepticismus. Dále je naší povinností:

- Identifikovat a vyhodnotit rizika významné (materiální) nesprávnosti prvku účetní závěrky způsobené podvodem nebo chybou, navrhnout a provést auditorské postupy reagující na tato rizika a získat dostatečné a vhodné důkazní informace, abychom na jejich základě mohli vyjádřit výrok. Riziko, že neodhalíme významnou (materiální) nesprávnost, k níž došlo v důsledku podvodu, je větší než riziko neodhalení významné (materiální) nesprávnosti způsobené chybou, protože součástí podvodu mohou být tajné dohody, falšování, úmyslná opomenutí, nepravdivá prohlášení nebo obcházení vnitřních kontrol.

- Seznámit se s vnitřním kontrolním systémem Společnosti relevantním pro audit v takovém rozsahu, abychom mohli navrhnout auditorské postupy vhodné s ohledem na dané okolnosti, nikoli abychom mohli vyjádřit názor na účinnost vnitřního kontrolního systému.
- Posoudit vhodnost použitých účetních pravidel, přiměřenost provedených účetních odhadů a informace, které v této souvislosti statutární orgán Společnosti uvedl v příloze účetní závěrky vztahující se k auditovanému prvku účetní závěrky.
- Posoudit vhodnost použití předpokladu nepřetržitého trvání při sestavení účetní závěrky statutárním orgánem, a zda s ohledem na shromážděné důkazní informace existuje významná (materiální) nejistota vyplývající z událostí nebo podmínek, které mohou významně zpochybnit schopnost Společnosti nepřetržitě trvat. Jestliže dojdeme k závěru, že taková významná (materiální) nejistota existuje, je naší povinností upozornit v naší zprávě na informace uvedené v této souvislosti v příloze účetní závěrky, a pokud tyto informace nejsou dostatečné, vyjádřit modifikovaný výrok. Naše závěry týkající se schopnosti Společnosti nepřetržitě trvat vycházejí z důkazních informací, které jsme získali do data naší zprávy. Nicméně budoucí události nebo podmínky mohou vést k tomu, že Společnost ztratí schopnost nepřetržitě trvat.

Naší povinností je informovat statutární orgán mimo jiné o plánovaném rozsahu a načasování auditu a o významných zjištěních, která jsme v jeho průběhu učinili, včetně zjištěných významných nedostatků ve vnitřním kontrolním systému.

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K nádraží 225, 664 59 Telnice
Evidenční číslo 583

Ondřej Krátký
Evidenční číslo 2437

27. února 2024

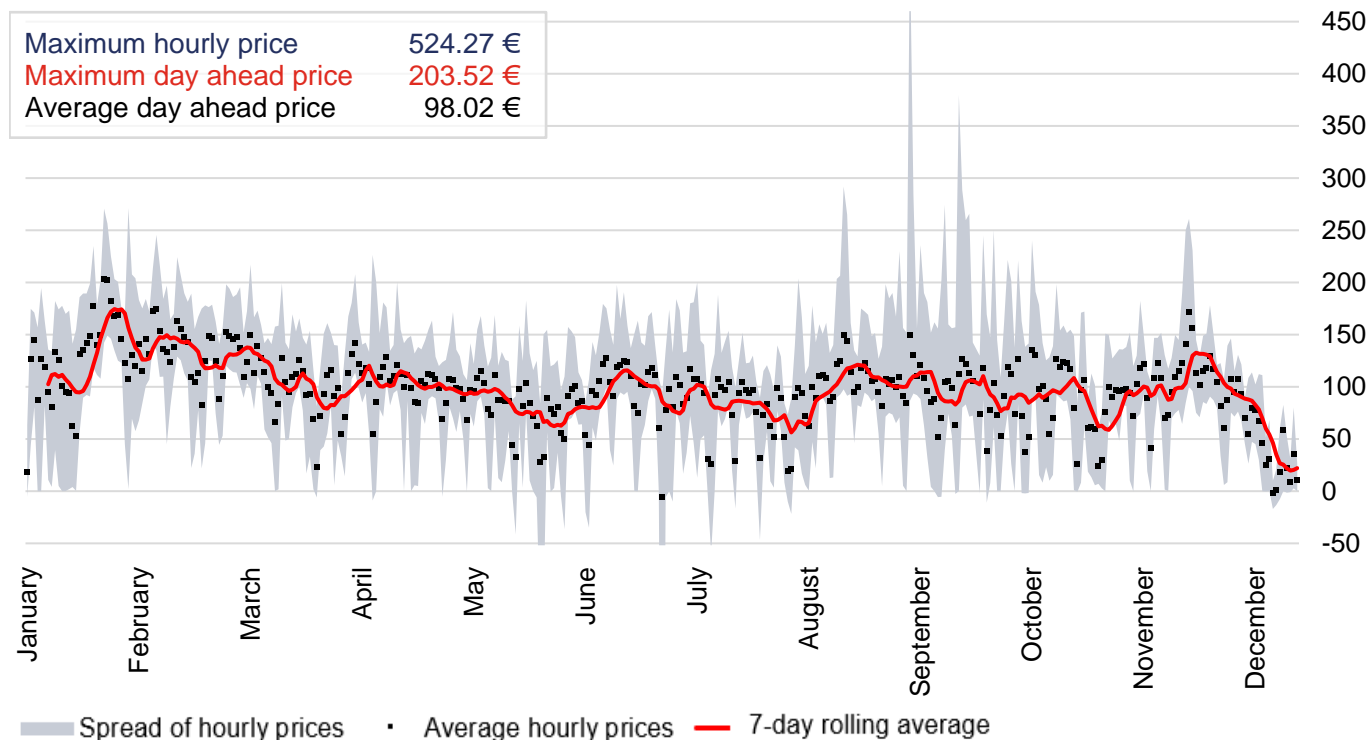


Wholesale electricity market

At the wholesale level in the Czech Republic, electricity is traded via EEX (European Energy Exchange), through bilateral contracts, and at spot markets organised by the market operator.

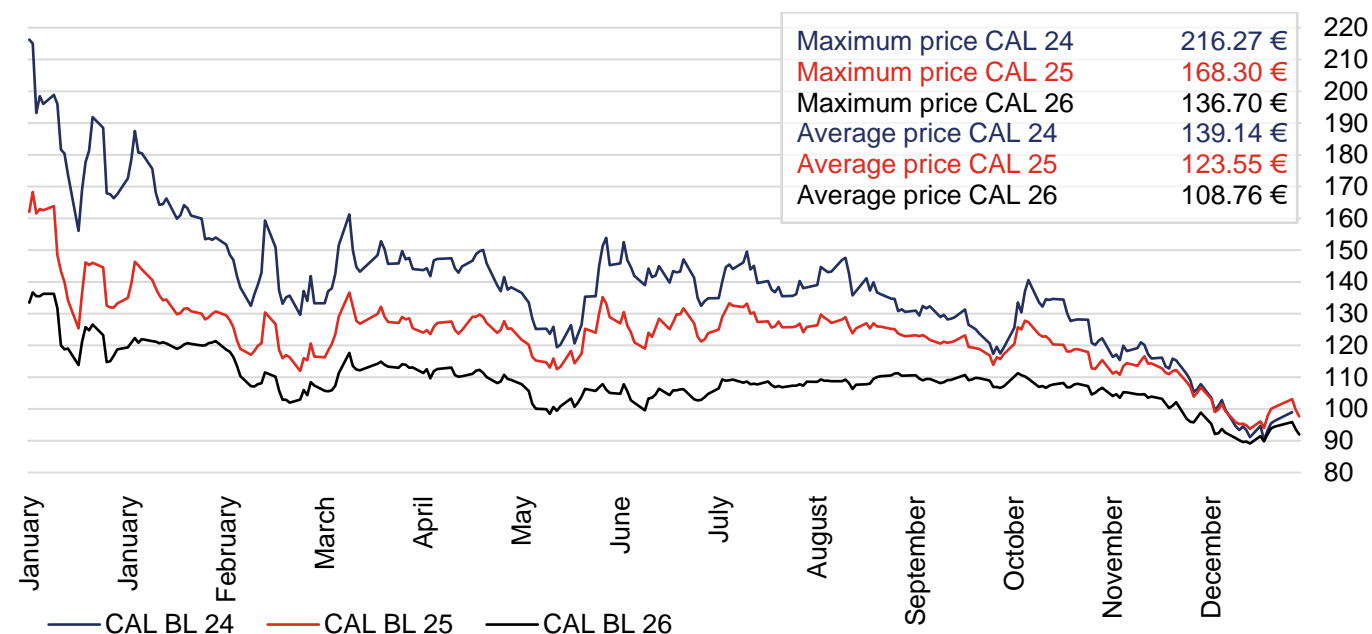
Compared with 2021 and 2022, in 2023 the volatility of spot and forward prices weakened and, in particular, the price level was lower with a downward trend throughout the year. But spot markets were still considerably volatile, primarily in the second half of the year. In September, the maximum hourly prices at the day-ahead market peaked at EUR 524/MWh.

Chart 28 Spot market – electricity (day-ahead market) [EUR/MWh]



Source: OTE, a.s., ENTSO-E

Chart 29 Futures market: electricity (prices of selected yearly products) [EUR/MWh]



Source: EEX

Table 23 Electricity wholesale market indicators

	2019	2020	2021	2022	2023
Electricity production [GWh]	86 991	81 443	84 907	84 528	76,107
Participants in spot electricity markets [-]	121	120	122	134	142
Total electricity demand [GWh]	73 932	71 354	73 661	60 304	67 371
Imports volume [GWh]	10 955	13 126	9 743	7 559	7 806
Exports volume [GWh]	23 622	22 856	21 151	21 875	16 998
Volume traded in the spot electricity market [GWh]	24 909	26 853	29 578	29 419	31 515
Volume traded at PXE futures market [GWh]	31 511	27 063	33 793	13 675	13 173
Total traded volume [GWh]	56 420	53 916	63 371	43 094	44 688
Average incremental price in the day-ahead market [EUR/MWh]	40.21	33.62	100.66	247.43	100.79

Source: OTE, a.s., PXE, a.s., ERO

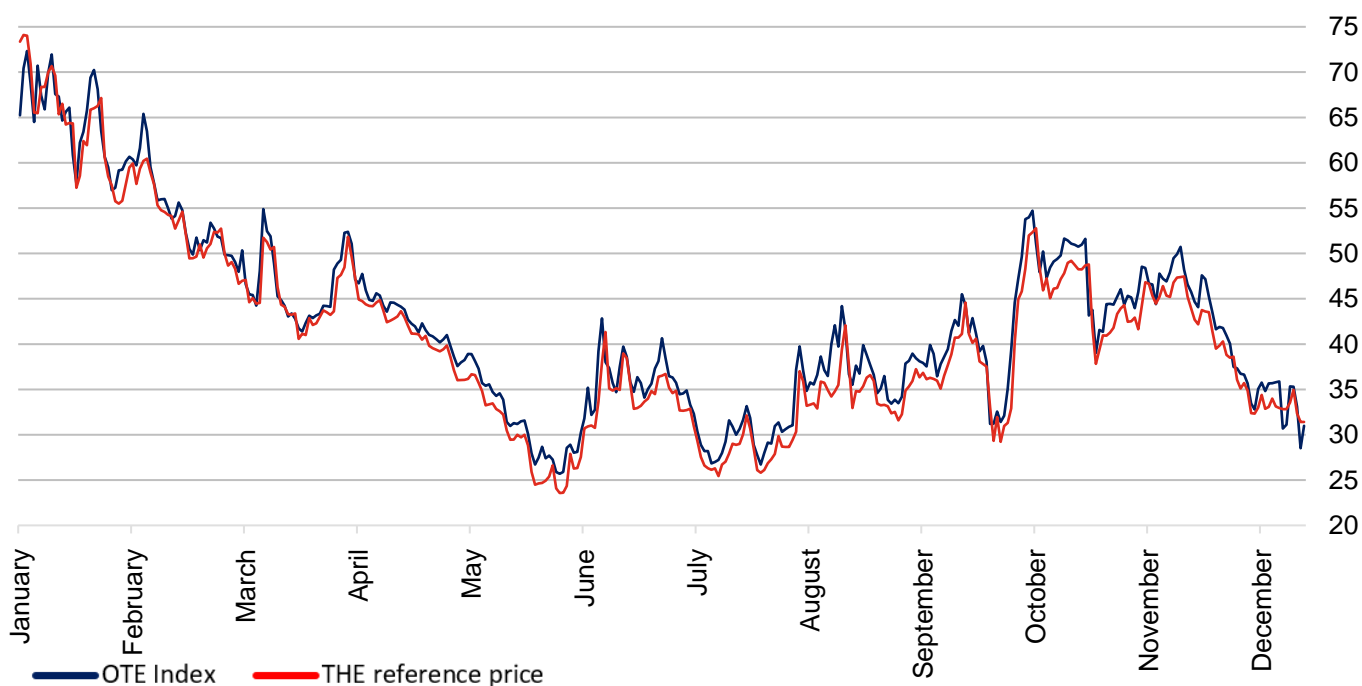
Germany is the decisive wholesale market for the Czech market due to the several times higher liquidity in the German forward market. Because of the interconnection of electricity grids, the development of the wholesale prices in the Czech and the German-Luxembourgian bidding zones is also correlated.

Wholesale gas market

A total of 4,873 GWh of gas was traded at the within-day gas market organised by the market operator. In 2023, the weighted average of the price of gas traded at the within-day market plunged to EUR 43.76/MWh, down by 60% on 2022 and returning to the 2021 level. In the spot market, natural gas prices even dropped to EUR 25/MWh at the beginning of June. At the end of 2023, 136 market participants had access to the spot gas market.

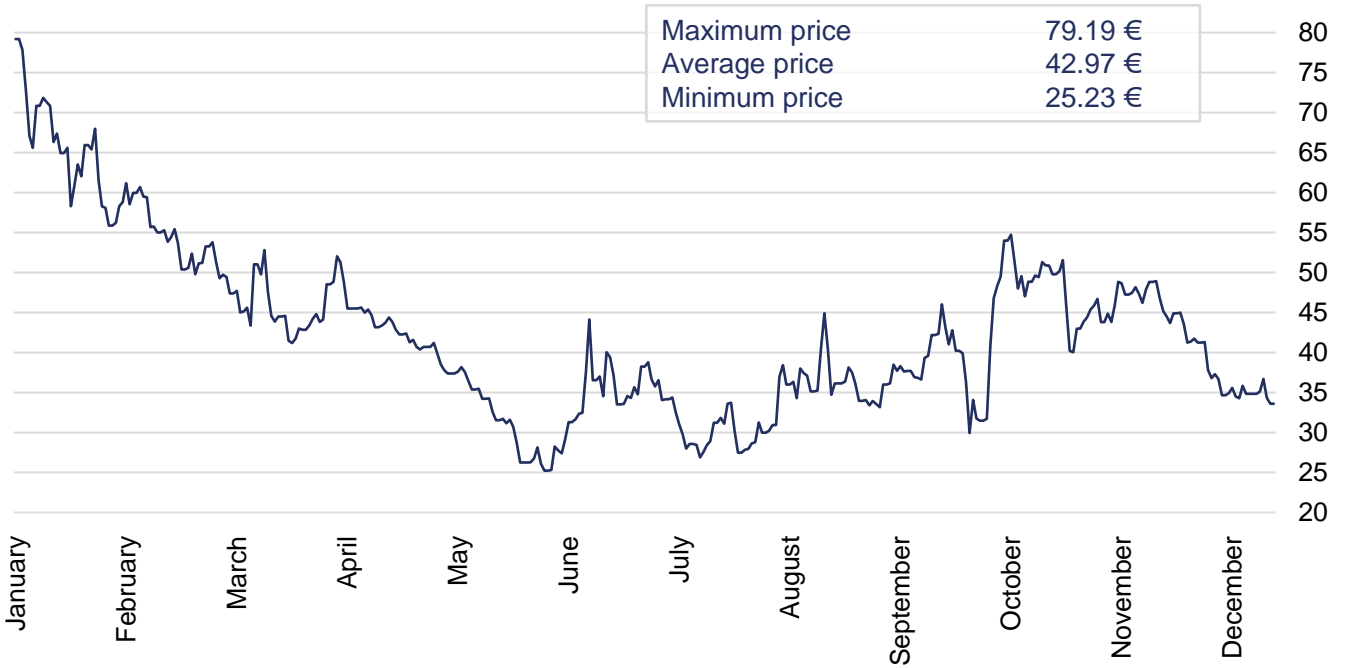
In 2023 again, the prices at the Czech within-day gas market closely followed the prices of comparable products in the German market area, Trading Hub Europe (THE within NCG), traded at the EEX spot market. However, trading was affected by the introduction of a gas export fee in connection with the measures for ensuring supply security through gas storage. This fee jeopardises the internal natural gas market's correct working and, depending on the spot prices in Slovakia and Austria, can result in lasting differences between the prices in the Czech Republic and in Germany up to the level of the fee, whose amount can be changed every six months. This *per se* constitutes another source of uncertainty surrounding the forwards and thus also has a direct impact on prices for final customers in the Czech Republic.

Chart 30 Comparison of the OTE Index and EEX NCG/THE spot prices in 2023 [EUR/MWh]



Source: OTE, a.s., EEX

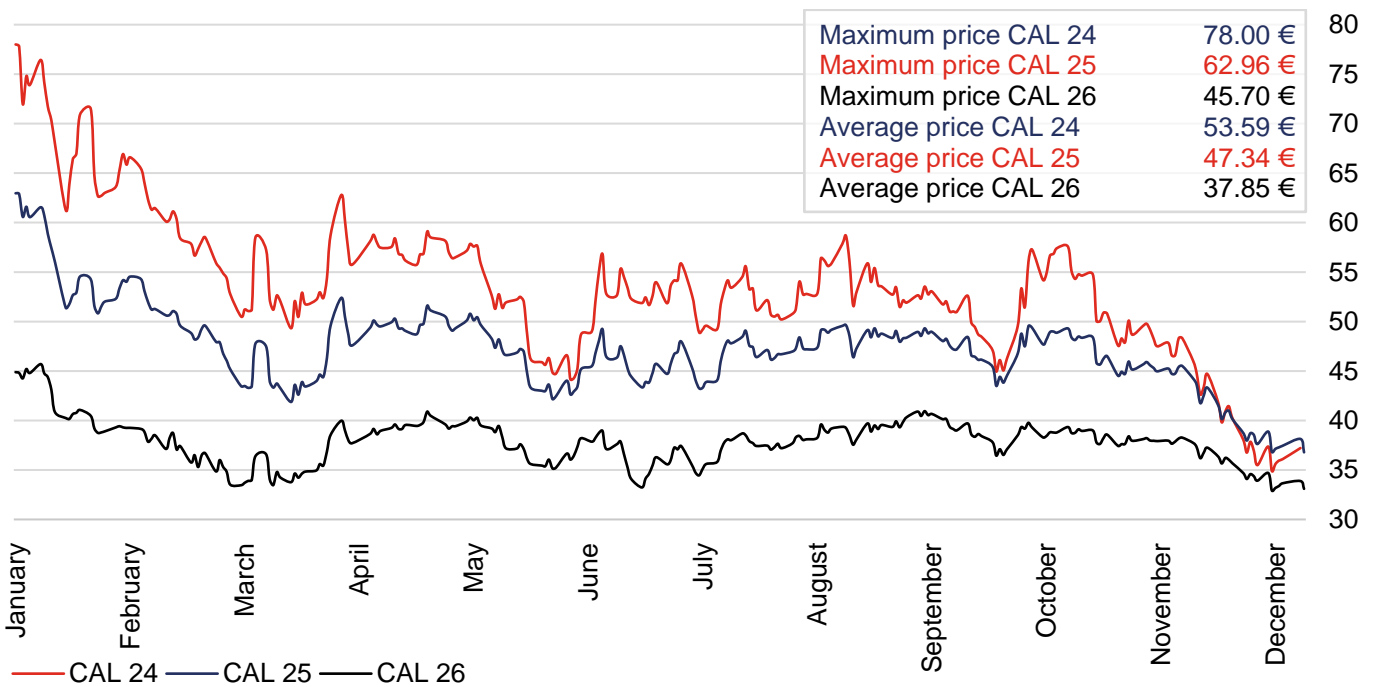
Chart 31 Natural gas – spot market (day-ahead market) in 2023 [EUR/MWh]



Source: EEX

As in the case of electricity, 2023 saw a gradual decline of forward prices; in spite of that the medium-term prospects for natural gas prices remain high above the pre-crisis level.

Chart 32 Natural gas, futures market (prices of selected yearly products) [EUR/MWh]



Source: EEX

Table 24 Wholesale gas market indicators

	2019	2020	2021	2022	2023
Gas production [GWh]	1 410	1 334	1 384	1 608	960
Spot market participants [-]	98	104	115	125	136
Total gas demand [GWh]	91 398	92 894	100 738	81 547	73 742
Imports volume [GWh]	385 378	464 284	486 992	290 582	85 663
Exports volume [GWh]	283 857	383 385	394 172	197 673	11 207
Volume traded in spot markets [GWh]	11 198	8 968	4 007	4 423	4 873
Traded volume in futures market [GWh]	2 554	3 901	9 570	16 403	17 020
Total traded volume [GWh]	13 752	12 869	13 577	20 826	21 893
Weighted average of prices in the within day market [EUR/MWh]	14.12	9.52	46.25	109.94	43.76

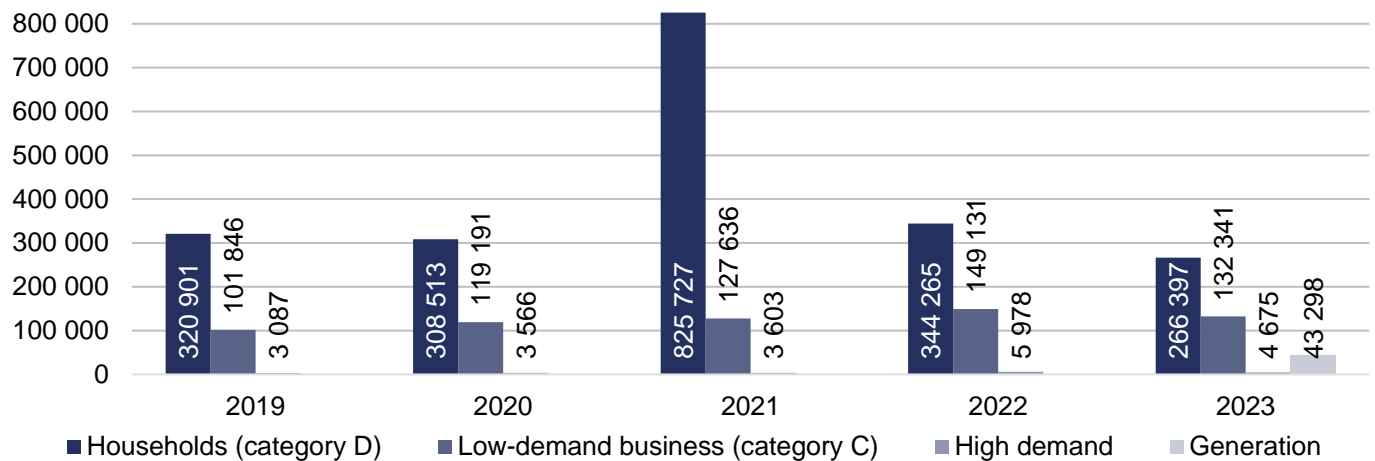
Source: OTE, a.s., PXE, a.s., ERO

Retail markets

We define the retail energy market as an environment where the electricity/gas supply offer meets the demand for it. The protagonists are therefore electricity/gas trade licensees in the position as suppliers, and organisations and individuals who use the supplied energy to meet their own energy needs. Retail markets can be further broken down in various ways, the most frequent breakdown being to the business-to-business (B2B, supply to businesses and corporations) and business-to-consumers (B2C, supply to households and customers in the position of consumers) segments, the latter frequently being understood as a more narrowly defined retail market. The key indicators for evaluating the retail market include the number of supply points, the number of active suppliers, customers' activity, i.e. the dynamics of supplier switching, the market shares held by the various supplier groups, and the structure of retail prices.

At the end of 2023, the retail electricity market had 80 active electricity suppliers and 114 gas suppliers (supply points in more than one distribution area). This is therefore a significant increase from 2022 (8% and 15% respectively). Nevertheless, the switching rate at the electricity and gas markets lower than in 2022 and earlier may indicate that regulation of end prices in 2023 resulted in customers' generally weaker activity in the retail market.

Chart 33 Electricity supplier switches in the key customer categories [-]



Source: OTE, a.s., edited by ERO

Table 25 Retail electricity market indicators – households

	2019	2020	2021	2022	2023
Consumption [GWh]	15,256	15,972	17,260	15,702	15,074
Number of customers [-]	5,267,209	5,312,956	5,348,516	5,418,971	5,450,701
Switching rate [%]	6	6	15	6	5

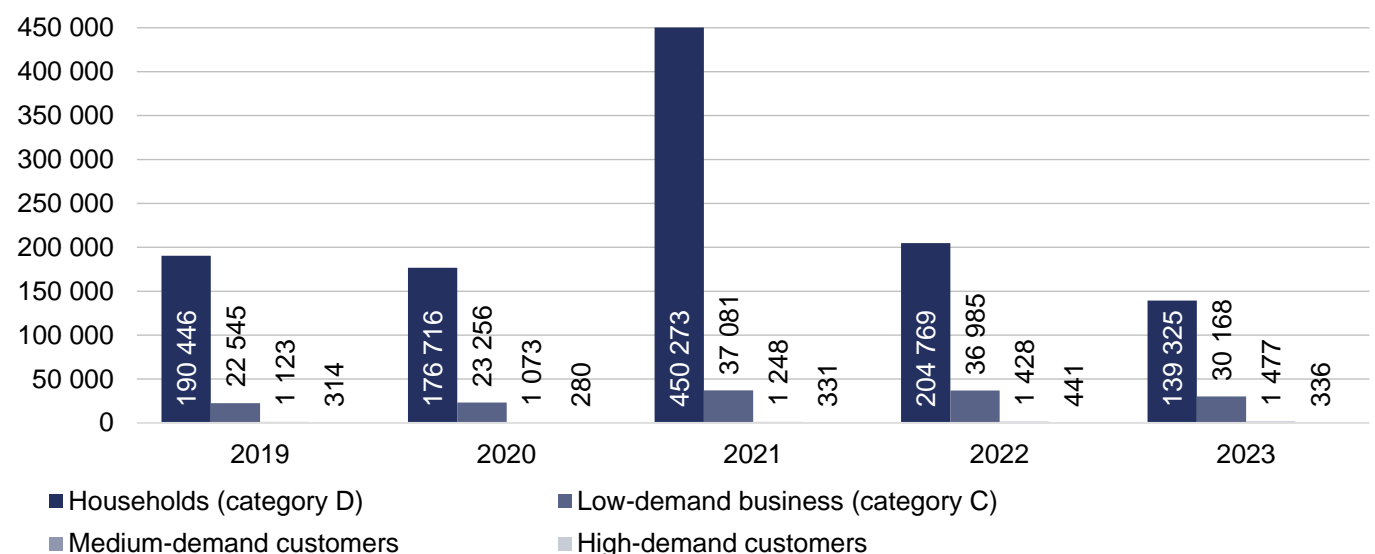
Source: OTE, a.s., ERO

Table 26 Retail electricity market indicators – non-households

	2019	2020	2021	2022	2023
Consumption [GWh]	8,019	7,789	7,748	7,738	7,495
Number of customers [-]	796,484	832,290	844,182	819,954	791,979
Switching rate, non-households [%]	13	15	16	19	17

Source: OTE, a.s., ERO

Chart 34 Number of gas supplier switches in the key customer categories [-]



Source: OTE, a.s., ERO

Table 27 Retail gas market indicators – households

	2019	2020	2021	2022	2023
Consumption [GWh]	23 200	23 984	26 899	21 510	19 203
Number of customers [-]	2 619 793	2 614 120	2 604 725	2 569 422	2 542 155
Switching rate [%]	7.3	6.8	17.3	8.0	5.48

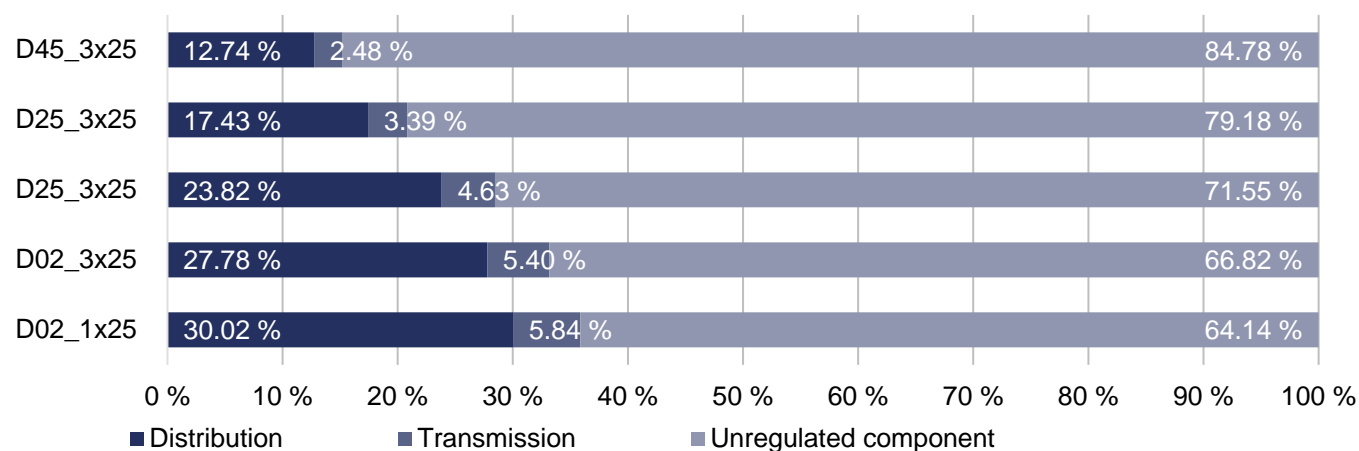
Source: OTE, a.s., ERO

Table 28 Retail gas market indicators – non-households

	2019	2020	2021	2022	2023
Consumption [GWh]	66 582	67 931	72 495	58 707	53 470
Number of customers [-]	214 716	215 012	215 288	211 862	210 288
Switching rate [%]	11.2	11.5	18.0	18.3	15.21

Source: ERO, OTE, a.s.

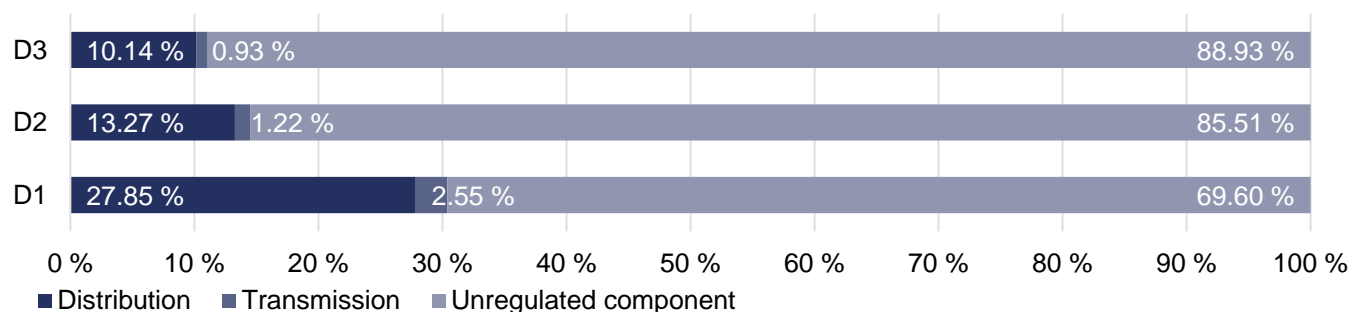
Due to the persistently higher level of the commodity component of electricity and natural gas supply prices, this component of the price (formerly called unregulated price, but this is not a suitable designation for 2023) takes a larger share of total energy prices than we were accustomed to in the pre-crisis years.

Chart 35 Percentages of the components of households' end electricity prices for representatives 2023

Source: Eurostat, ERO

Note: The charge for the market operator's services contains a special fee for ERO activities under Section 17d of the Energy Act.

Chart 36 Percentages of the components of households' end natural gas prices for representatives 2023



Source: Eurostat, ERO

Note: The charge for the market operator's services contains a special fee for ERO activities under Section 17d of the Energy Act.

The Herfindahl-Hirschman Index (HHI) is a widely used measure of market concentration and ERO has been systematically monitoring it since 2020. Its value over 2,700 points (together with a large market share of the three largest suppliers) shows that the Czech retail electricity market is heavily concentrated. The 2023 monitoring data again confirm the market concentrations by the former monopoly areas, which correspond to the current areas of the three regional distribution systems. The former monopolies (incumbents) enjoy a very strong position in their 'home' areas; they typically control almost 70% of the market in terms of supply points. This is also reflected in the very high level of HHI, considering the historical structure of the Czech market: 6,030 points (a weighted average of the values for the three regional distribution areas). This geographically more detailed view thus paints a picture different from that of the approach whereby the whole Czech Republic is regarded as the relevant market with 2,983 points.

On the other hand, the retail gas market shows a lower concentration than the electricity market. ERO monitors market concentrations in the former monopoly areas. Although in the regional breakdown the gas market is more concentrated than from the nationwide perspective, the values stay deep below the threshold of a heavy market concentration. It can therefore be noted that the retail gas market is not heavily concentrated, and its structure is significantly in favour of effective competition.

Table 29 Retail electricity market indicators – suppliers and HHI

	2019	2020	2021	2022	2023
Number of active electricity suppliers [-]	83	119	102	74	80
Market share of the three largest suppliers by supply points [%]	72.4	71.9	77.9	77.9	77.7
Number of retailers with market shares > 5% [-]	5	5	4	4	4
Herfindahl-Hirschman Index [-]	2 647	2 594	3 067	3 059	2 983

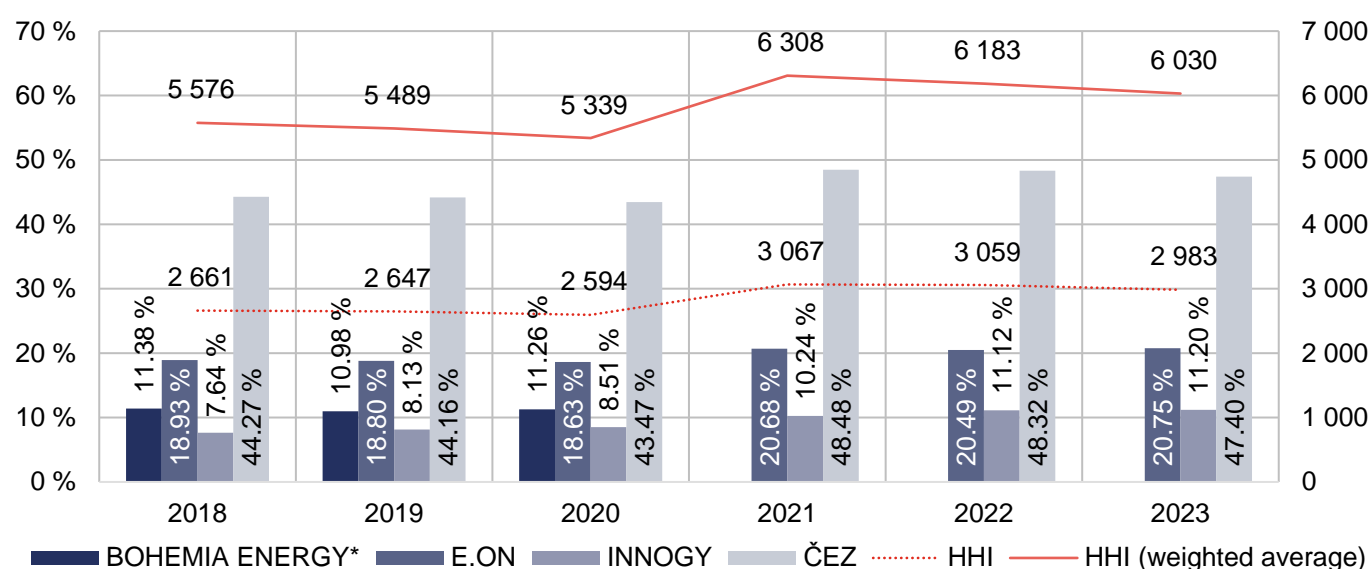
Source: OTE, a.s., ERO

Table 30 Retail gas market indicators – traders and HHI

	2019	2020	2021	2022	2023
Number of active gas suppliers [-]	125	133	121	99	114
Market share of the three largest suppliers by supply points [%]	52.15	52.18	52.56	49.98	54.26
Number of retailers with market shares > 5% [-]	4	4	4	6	5
Herfindahl-Hirschman Index [-]	2 631	2 470	2 848	2 844	2 757

Source: ERO

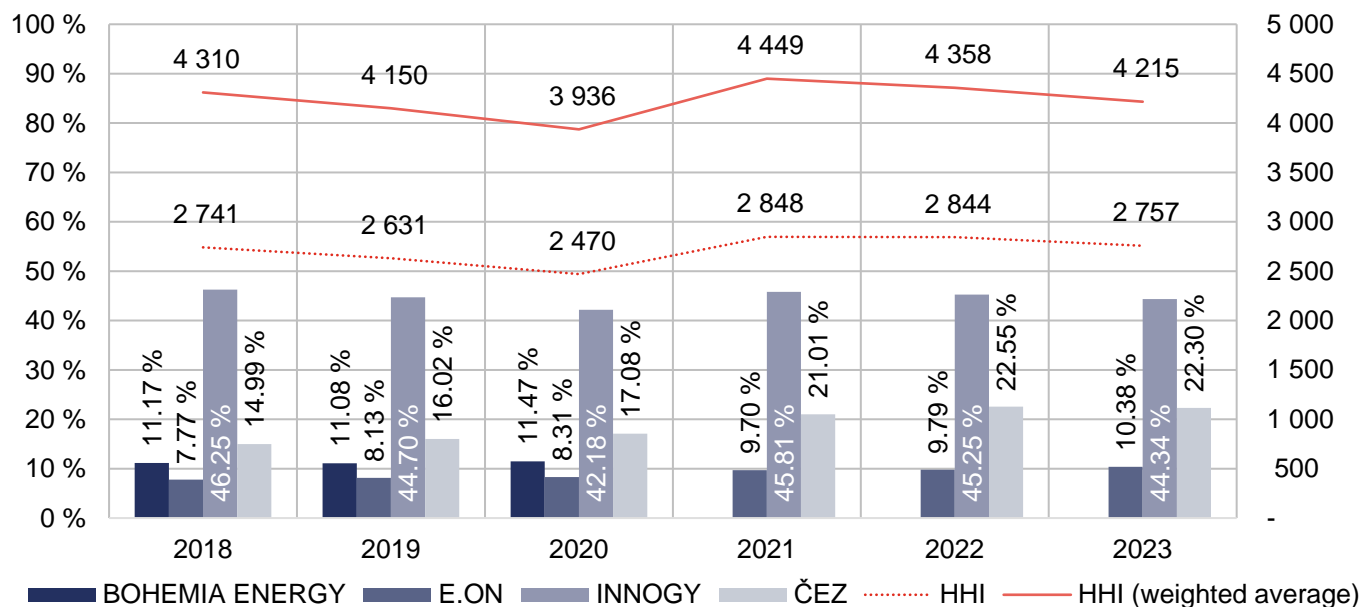
Chart 37 Market shares [%] and HHI, electricity



Source: ERO

*BOHEMIA ENERGY Group wound up in late 2021

Chart 38 Market shares [%] and HHI, gas



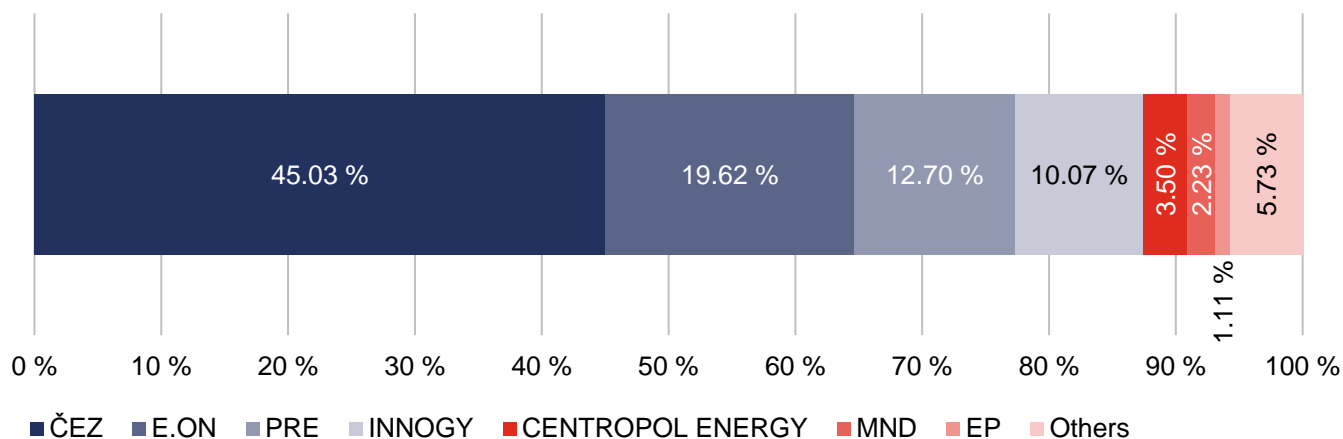
Source: ERO

* BOHEMIA ENERGY Group wound up in late 2021

Another important indicator of competition in the retail market is the various suppliers' market shares. In line with the good practice of supervision over competition, ERO monitors suppliers in groups.

In the electricity market, ČEZ Group continues to be the largest supplier; it supplied electricity to 45% of SPs in the country. It is followed by E.ON Energie, a.s. with 20% and the PRE group with 13%.

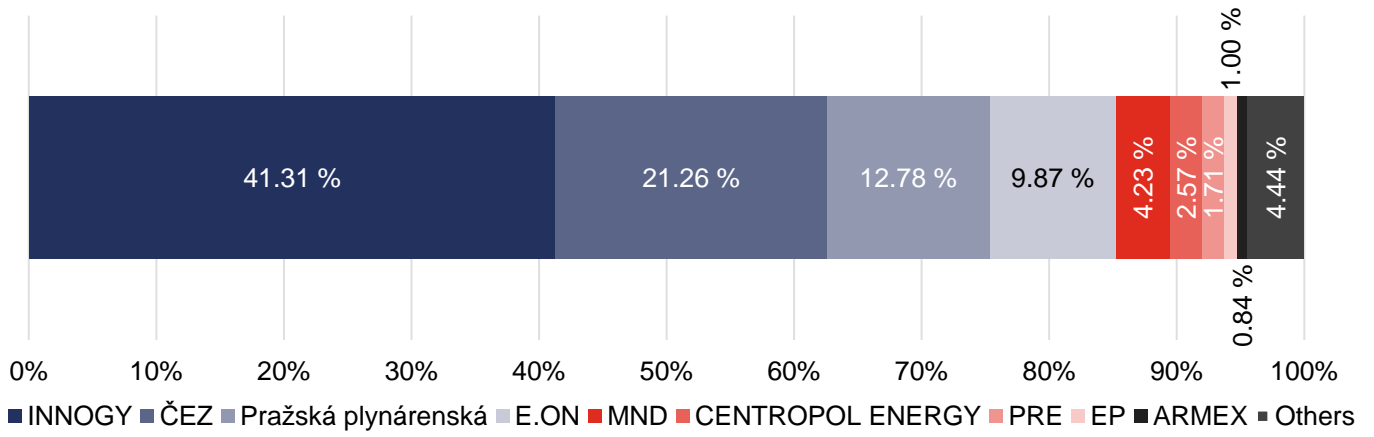
Chart 39 Electricity traders' shares of SDPs on 31 December 2023 [%]



Source: OTE, a.s., ERO

In terms of the number of SPs, with its 41% innogy Energie, s.r.o. continued as the largest gas supplier; with its 21% ČEZ Group moved to the notional second rung; Pražská plynárenská, a.s. was third with 13%.

Chart 40 Gas traders' shares of SPs on 31 December 2023 [%]



Source: OTE, a.s., ERO

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LIST OF LEGISLATION

Czech laws

Act No 526/1990 on Prices, as amended

Act No 265/1991 on the Competences of the Bodies of the Czech Republic in Respect of Prices, as amended

Act No 634/1992 on Consumer Protection, as amended

Act No 106/1999 on Free Access to Information, as amended

Act No 218/2000 on Budgetary Rules and Amending Certain Related Laws, as amended

Act No 458/2000 on the Conditions of Business and State Administration in Energy Industries and Amending Certain Laws (the Energy Act), as amended

Act No 320/2001 on Financial Control in Public Administration and Amending Certain Laws, as amended

Act No 18/2004 on the Recognition of Professional Qualifications and Other Competences of the Nationals of the Member States of the European Union and Certain Nationals of Other States and Amending Certain Laws (the law on the recognition of professional qualifications), as amended

Act No 500/2004 Rules of Administrative Procedure, as amended

Act No 165/2012 on Supported Energy Sources and Amending Certain Laws, as amended

Act No 134/2016 on Public Procurement, as amended

Act No 449/2022 on the National Budget of the Czech Republic for 2023

Czech statutory instruments (public notices)

Public notice 416/2004 implementing Act No 320/2001 on Financial Control in Public Administration and Amending Certain Laws (the law on financial control), as amended in Act No 309/2002, Act No 320/2002 and Act No 123/2003

Public notice 540/2005 on the quality of electricity supply and related services in the electricity industry, as amended in public notice 41/2010

Public notice 280/2007 on the implementation of the Energy Act's provisions on the Energy Regulatory Fund and obligations over and above the licence

Public notice 401/2010 on the required content of the Electricity Transmission System Operating Rules, Distribution System Operating Rules, the Gas TSO Code, DSO Codes, the SSO Code, and the market operator's commercial terms and conditions, as amended in 330/2017

Public notice 349/2015 on Gas Market Rules, as amended

Public notice 408/2015 on Electricity Market Rules, as amended

Public notice 404/2016 on the particulars and structure of the returns required for preparing reports on the operation of systems in the energy industries, including the dates, scope, and rules for preparing the returns (the 'statistics public notice'), as amended in 154/2018

Public notice 359/2020 on electricity metering, as amended in 375/2023

Public notice 207/2021 on the billing of supply and related services in energy industries, as amended in 271/2022

Public notice 79/2022 on the technical and economic parameters for determining reference feed-in tariffs and green premiums and on the implementation of certain other provisions of the law on supported energy sources (public notice on technical and economic parameters), as amended in 275/2023

Czech Government Orders

Government Order 189/2022 on the specification of SES development

Government Order 298/2022 on electricity and gas pricing in an extraordinary market situation and on determining the related largest permissible amount of pecuniary benefit for customers, as amended in Government Order 343/2022

Government Order 463/2022 on the pricing of electricity and gas supplied to cover losses in distribution systems in an extraordinary market situation and on compensations provided for electricity and gas supply to cover losses for administrative prices

Government Order 5/2023 on compensations provided for electricity and gas supply for administrative prices

EU Regulations

Regulation (EC) No 715/2009 Regulation (EC) No 715/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No 1775/2005

Regulation (EU) No 1227/2011 Regulation (EU) No 1227/2011 of the European Parliament and of the Council of 25 October 2011 on wholesale energy market integrity and transparency

Regulation (EU) No 347/2013 Regulation (EU) No 347/2013 of the European Parliament and of the Council of 17 April 2013 on guidelines for trans-European energy infrastructure and repealing Decision No 1364/2006/EC and amending Regulations (EC) No 713/2009, (EC) No 714/2009 and (EC) No 715/2009

Commission Regulation (EU) No 543/2013 Commission Regulation (EU) No 543/2013 of 14 June 2013 on submission and publication of data in electricity markets and amending Annex I to Regulation (EC) No 714/2009 of the European Parliament and of the Council

Commission Regulation (EU) 2015/703 Commission Regulation (EU) 2015/703 of 30 April 2015 establishing a network code on interoperability and data exchange rules

Commission Regulation (EU) 2015/1222 Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management

Commission Regulation (EU) 2017/459 Commission Regulation (EU) 2017/459 of 16 March 2017 establishing a network code on capacity allocation mechanisms in gas transmission systems and repealing Regulation (EU) No 984/2013

Commission Regulation (EU) 2017/460 Commission Regulation (EU) 2017/460 of 16 March 2017 establishing a network code on harmonised transmission tariff structures for gas

Commission Regulation (EU) 2017/1485 Commission Regulation (EU) 2017/1485 of 2 August 2017 establishing a guideline on electricity transmission system operation

Regulation (EU) 2017/1938 Regulation (EU) 2017/1938 of the European Parliament and of the Council of 25 October 2017 concerning measures to safeguard the security of gas supply and repealing Regulation (EU) No 994/2010

Commission Regulation (EU) 2017/2195 Commission Regulation (EU) 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing

Regulation (EU) 2018/1999 Regulation (EU) 2018/1999 of the European Parliament and of the Council of 11 December 2018 on the Governance of the Energy Union and Climate Action, amending Regulations (EC) No 663/2009 and (EC) No 715/2009 of the European Parliament and of the Council, Directives 94/22/EC, 98/70/EC, 2009/31/EC, 2009/73/EC, 2010/31/EU, 2012/27/EU

and 2013/30/EU of the European Parliament and of the Council, Council Directives 2009/119/EC and (EU) 2015/652 and repealing Regulation (EU) No 525/2013 of the European Parliament and of the Council

Regulation (EU) 2019/942	Regulation (EU) 2019/942 of the European Parliament and of the Council of 5 June 2019 establishing a European Union Agency for the Cooperation of Energy Regulators
Regulation (EU) 2019/943	Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity (recast)
Regulation (EU) 2022/1032	Regulation (EU) 2022/1032 of the European Parliament and of the Council of 29 June 2022 amending Regulations (EU) 2017/1938 and (EC) No 715/2009 with regard to gas storage
Regulation (EU) 2022/1854	Council Regulation (EU) 2022/1854 of 6 October 2022 on an emergency intervention to address high energy prices
Regulation (EU) 2022/2576	Council Regulation (EU) 2022/2576 of 19 December 2022 enhancing solidarity through better coordination of gas purchases, reliable price benchmarks and exchanges of gas across borders

EU Directives

Directive 2009/73/EC	Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas and repealing Directive 2003/55/EC
Directive (EU) 2010/31/EU	Directive 2010/31/EU of the European Parliament and of the Council of 19 May 2010 on the energy performance of buildings (recast)
Directive (EU) 2012/27/EU	Directive 2012/27/EU of the European Parliament and of the Council of 25 October 2012 on energy efficiency, amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC
Directive (EU) 2018/844	Directive (EU) 2018/844 of the European Parliament and of the Council of 30 May 2018 amending Directive 2010/31/EU on the energy performance of buildings and Directive 2012/27/EU on energy efficiency
Directive (EU) 2018/2001	Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources (recast)
Directive (EU) 2018/2002	Directive (EU) 2018/2002 of the European Parliament and of the Council of 11 December 2018 amending Directive 2012/27/EU on energy efficiency
Directive (EU) 2019/944	Directive (EU) 2019/944 of the European Parliament and of the Council of 5 June 2019 on common rules for the internal market for electricity and amending Directive 2012/27/EU (recast)

ABBREVIATIONS, EXPRESSIONS, AND UNITS

Note

Names of Czech companies are written the way they are registered in the Companies Register, including cases when they are registered with mistakes.

ACER	Agency for the Cooperation of Energy Regulators
GSSS	gas supply security standard in the Czech Republic
CAIDI	Customer Average Interruption Duration Index in the period under review
CEER	Council of European Energy Regulators
CMP	Congestion management procedures within the meaning of Regulation (EC) No 715/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No 1775/2005
CNG	compressed natural gas
ČEPS	operator of the Czech electricity transmission system, ČEPS, a.s.
member state	EU Member State
CR, CZ	Czech Republic
Decarbonisation Package	Regulation (EU) of the European Parliament and of the Council on the internal markets for renewable gas, natural gas and hydrogen, Directive (EU) of the European Parliament and of the Council on common rules for the internal markets for renewable gas, natural gas and hydrogen, and Regulation (EU) of the European Parliament and of the Council on the reduction of methane emissions in the energy sector and amending Regulation (EU) 2019/942
the Plan	Ten-year National Development Plan for the gas/electricity transmission system in the Czech Republic for 2023–2032
VAT	Value added tax
EEX	European Energy Exchange AG
EC, Commission	European Commission
Energy Act	Act No 458/2000 on the Conditions of Business and State Administration in Energy Industries and Amending Certain Laws (the Energy Act), as amended
ERRA	Energy Regulators Regional Association
ERO, Office, regulator	Energy Regulatory Office
EU	European Union
FKSP	Fund of Cultural and Social Needs
HHI	Herfindahl-Hirschman Index
LV	low voltage (in Czech <i>NN</i> , <i>nízké napětí</i> , i.e. ‘low voltage’)
MV	medium voltage (in Czech <i>VN</i> , <i>vysoké napětí</i> , i.e. ‘high voltage’)
HV	high voltage (in Czech <i>VVN</i> , <i>velmi vysoké napětí</i> , i.e. ‘extra high voltage’)
Russia’s invasion of Ukraine	unprovoked military invasion by Russia of Ukraine
Chapter 349	Chapter 349 Energy Regulatory Office [title of the national budget]
Commission, EC	European Commission
LNG	liquefied natural gas
MIT	Ministry of Industry and Trade
MoE	Ministry of the Environment
NAP SG	National Action Plan for Smart Grids

REMIT	Regulation (EU) No 1227/2011 of the European Parliament and of the Council of 25 October 2011 on wholesale energy market integrity and transparency
NC CAM	Commission Regulation (EU) 2017/459 of 16 March 2017 establishing a network code on capacity allocation mechanisms in gas transmission systems and repealing Regulation (EU) No 984/2013
NC INT	Commission Regulation (EU) 2015/703 of 30 April 2015 establishing a network code on interoperability and data exchange rules
NC TAR	Commission Regulation (EU) 2017/460 of 16 March 2017 establishing a network code on harmonised transmission tariff structures for gas
NET4GAS	operator of the Czech gas transmission system, NET4GAS, s.r.o.
SDP	supply and delivery point
SP	supply point
Market operator	OTE, a.s.
RES	renewable energy sources
OTE, a.s.	market operator
PCI	Projects of Common Interest
PMI	Projects of Mutual Interest
the Plan	Ten-year National Development Plan for the gas/electricity transmission system in the Czech Republic for 2023–2032
SES (or POZE)	supported energy sources
PPAT	Professional Person Arranging Transactions
PXE	Power Exchange Central Europe
Council (EU)	Council of the European Union
ERO Board	the Board of the Energy Regulatory Office
regulator, ERO, Office	Energy Regulatory Office
SAIDI	System Average Interruption Duration Index in the period under review
SAIFI	System Average Interruption Frequency Index in the period under review
TA CR	Technology Agency of the Czech Republic
heat	Thermal energy, heat and cooling
THE	Trading Hub Europe
UIOLI	The 'use it or lose it' principle
Office, ERO, regulator	Energy Regulatory Office
RDI	Research, Development and Innovation
ERO website	the website of ERO
webinar	online seminar
SES Act	Act No 165/2012 on Supported Energy Sources and Amending Certain Laws, as amended

Units

A	Amper
EUR	euro, the euro area's currency
GJ	gigajoule
GWh	gigawatt hour
CZK	Czech crown
kV	kilovolt
MW	megawatt
m	million
MWh	megawatt hour

t	tonne
TWh	terawatt hour
W	watt



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